

BINDING AND STRONG



2016 Integrated Annual Report

WE COMBINE YESTERDAY WITH TODAY
AND TODAY WITH TOMORROW



The Agenda of the Ordinary General Assembly Meeting

The Agenda of the Ordinary General Assembly Meeting to be held on 27 March 2017

1. Call to order and the composition of the Meeting Administration
 2. The presentation and discussion of the Board of Directors Annual Report for 2016
 3. The presentation of the conclusion of the Audit Reports for 2016
 4. The presentation of, discussion on and approval of the Financial Statements for 2016
 5. Acquittal of the members of the Board of Directors for their activities in 2016
 6. Determining the usage of profit, the amount of profit to be distributed and the rates of earnings margin for 2016
 7. Election of the Auditor for the auditing of the Financial Statements and Reports for 2017 in accordance with the Turkish Code of Commerce No. 6102 and the Capital Market Law No. 6362
 8. Informing the General Assembly about the donations and charities made in 2016
 9. Determination of the limit for the donations to be made by the Company for 2017
 10. Authorizing the Chairman and the members of the Board of Directors for the execution of the proceedings stipulated in articles 395 and 396 of the Turkish Code of Commerce
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About the Integrated Annual Report

This report is the first integrated annual report of Çimsa. It is also the first integrated annual report published by a publicly owned corporation in industrial sector in Turkey.¹

Having had a successful past in the corporate governance field, Çimsa has been practicing exemplary financial reporting for many years. The financial report of Çimsa won the gold medal in 2009 at ARC Awards, the independent international awards organization. The company has also been publishing sustainability reports every year in line with the Global Reporting Initiative (GRI) reporting principles since 2010². Çimsa decided to step up its reporting activities in 2016 by publishing an integrated report.

Çimsa reviews the current output of its activities, its future plans and goals with this report in the scope of the capital framework proposed by the IIRC (International Integrated Reporting Council) of which it is a member for 3 years, and views, analyzes and reports it to its stakeholders from an integrated perspective.

This report also signifies that Çimsa has internalized integrated thinking and sustainability through all its business processes. The adoption of this approach strongly supports Çimsa's efforts to carry out its business in the most rightful way for the society it belongs to and our world.

It is crucial and top priority for Çimsa for the integrated annual report to be accessible for all the stakeholders. In this context the report was produced in an environment-friendly manner and shared in the electronic media. The report was not printed but was announced to the public on the website www.cimsa.com.tr under the link Sustainability and Investor Relations as well as on the sustainability website of Çimsa www.cimsadasurdurulebilirlik.org.

All information contained in this report are as of the end of 2016, unless stated otherwise. The financial results of Afyon Çimento Sanayi ve Ticaret A.Ş., a Çimsa affiliate (51%), are included in the consolidated financial results of Çimsa but other sustainability indicators are excluded. Çimsa aims to include the environmental and social sustainability data of Afyon Çimento gradually starting from 2018 in its reports.

This report is in compliance with the International Integrated Reporting Framework suggested by the IIRC. The report was prepared in accordance with the core option of the GRI G4 Reporting guideline published by the Global Reporting Initiative (GRI). The contents of the report were gathered based on the principles for defining report content described in the GRI G4 Guideline, especially the principle of prioritization. Performance notifications were basically presented in the scope of the GRI G4 indicators; additionally The United Nations Global Compact (UNGC) development principles which Çimsa committed to 2013 and The World Business Council For Sustainable Development (WBCSD), The Cement Sustainability Initiative (CSI) principles were also considered.

The 2016 Integrated Annual Report of Çimsa, whose shares are publicly traded in Borsa Istanbul exchange, is also in accordance with the minimum annual reporting requirements of the Turkish Code of Commerce and the Capital Market Law.

¹ This report has been published on 21 March 2017.

² The first sustainability report of Çimsa covers the period of 2007 - 2010.

WE PAVE THE WAY THAT BRIDGES YESTERDAY WITH TODAY AND TODAY WITH TOMORROW.



Message from the Chairman of the Board of Directors



Setting its medium and long-term goal to be one of the distinguished producers in the cement sector with its product quality and high efficiency, Çimsa is one of the biggest grey cement producers in Turkey as of the end of 2016 with its production capacity while being recognized as a global leader in the white cement segment.

M. Haulanur

Dear stakeholders,

While 2016 was a year where fluctuations and uncertainties continued in the world and Turkey, the cement industry completed the year on a positive growth performance, traditionally following the economic growth trend of our country.

With this background Çimsa not only showed a financial and operational performance which met its goals in 2016, but also continued to take strategic steps in order to strengthen the shareholder value in the medium and long-terms and to increase the total output produced for its stakeholders.

Setting its medium and long-term goal to be one of the distinguished producers in the cement sector with its product quality and high efficiency, Çimsa is one of the biggest grey cement producers in Turkey as of the end of 2016 with its production capacity while being recognized as a global leader in the white cement segment.

As a member of the Sabancı Group, which has held key positions throughout the economic history of our country while always supporting the development efforts and has become a global leader in different business areas that it operates in, Çimsa will be celebrating its 45th anniversary in 2017 as a company

- having drawn its medium and long-term road map,
- having clarified its strategic goals,
- realizing its growth investments.

Cement is a product which makes the modern life possible and it is a unifying power.

Cement is one of the most consumed products after water in our day; it is indispensable, and it is the unifying power of modern life.

The structures built with cement, enable modern life, facilitate commerce and in short contribute to the happiness and well-being of people. Another fact is that the global cement sector alone emits approximately 5% of the total greenhouse gas that is produced in the world into the atmosphere.

R&D

A vital function for Çimsa

These simple but contradicting facts constitute the main points that we, as the participants of cement sector should balance and watch out for and outline our responsibilities as corporate citizens.

We create social and environmental values as well as economic values with our integrated thinking, planning and execution competences.

Çimsa improved and internalized integrated thinking, planning and execution capabilities throughout all its processes from supply to production and from human resources to environmental management.

The management approach that we implement aims to efficiently and effectively utilize all tangible and intangible capital groups and envisions the production of sustainable values on economic, social and environmental platforms in the short, medium and long terms.

Our basic and fixed goal in the name of sustainability is to produce value-added products with the lowest minimum ecological footprint; to successfully lead the way in developing innovative products and solutions of the future with our R&D efforts and to increase the value contribution to the environment.

Considering the fact that we are a heavy industry corporation, we aim to create a work environment which is apt for human life and honor across Çimsa for all our employees especially in terms of occupational health and safety; we realize it, monitor it, improve it and constantly develop it. In the same context, we also aim to fully comply with the laws and regulations overseeing the business life while taking international norms and best practices into account and we work hard on these subjects.

Message from the Chairman of the Board of Directors

Another topic which we believe to be important in the process of creating shareholder and stakeholder value is corporate governance practices. We aim to diligently carry out the requirements of production and trade, to be recognized as a reliable business partner, which is loyal to ethical values in the minds and hearts of the supply chain members in internal and external markets and our customers and to be transparent in our relations with our investors and business partners.

We are extremely sensitive about the use of alternative energy resources in the context of our ecological footprint. We continue to work on the use of alternative energy resources which directly concern us in terms of our impact on the environment as well as our cost base.

With the completion of our ongoing investments in Afyon and Eskişehir, which will contribute greatly to the production capabilities and capacity of Çimsa, we envision our environmental performance to accelerate in a remarkable way.

The corporate properties that we have, constitute the genetic map of Çimsa and these properties will draw the road map of the new development stages of the future.

The topics and main points summarized above make up the power source required for development and makes it possible for us to keep our commitments to our stakeholders.

About the future...

Although the global and national environment creates short-term fluctuations, our medium and long-term expectations continue to be positive. Our country is strong and it offers a unique economic potential along with the surrounding geography.

Çimsa is focused on the future with ever increasing support from its shareholders and stakeholders, their preference and trust and is determined to reflect the potential offered by its geography in its performance.

Çimsa will continue on its way with determination in 2017 and beyond with its strong visionary capability, flexible corporate structure and superior production power and carry on its journey to become a global brand in its sector.

I would like to thank our leadership team and all our employees who manage and produce our performance with their dedicated efforts, our customers who have always positioned us at the forefront with their trust and loyalty in the Çimsa brand, our suppliers for their close partnership and all our other business partners and stakeholders on behalf of our Board of Directors and myself.

Your views are important for our shared future.

As I conclude my message, I would like to emphasize a point that I believe to be worth noting and I would like to invite you to contribute to our integrated management approach.

This report that we published is the first integrated annual report published by a publicly owned company in industrial sector in Turkey. This makes us happy and proud as a team and it also increases our responsibilities.

As a company giving importance to always being in close and up to date contact with its stakeholders, you are welcome to share your views, suggestions and wishes on our performance at entegrerapor@cimsa.com.tr. Your views will show us the way while shaping our shared future.

Thank you for your contributions.

Best regards,

Mehmet Hacıkamiloğlu
Chairman of the Board of Directors

WE PAVE THE WAY THAT BRIDGES EXPERIENCE WITH VISION AND GOALS WITH SUCCESS.



Message from the General Manager



We successfully continue our investments in order to apply sustainability, shaped through integrated thinking, across the the board of firms and to utilize and develop all our intangible capital groups starting with human resources in the most efficient way.

Devra Özhody

Dear stakeholders,**We believe that success is not only financially driven but efficient and correct use of environmental and social capital is as important as the correct use of tangible capital.**

Even though it's been almost 10 years since the global financial crisis of 2008, a search for an equilibrium in the world economy still continues. Specifically in 2016 many factors such as Brexit, the U.S. presidential elections, conflicts in the Middle East and fluctuations in the Chinese economy have influenced the decisions of economic actors and brought about new risk and uncertainties about the future.

Headlines from 2016...

Çimsa continued to create value for its stakeholders in 2016 despite the presence of all these difficulties and variables. Our total cement production in 2016 was 5.6 million tons. Our exports to more than 65 countries with 7 terminals abroad have reached 110 million USD.

By managing its strong financial structure, our company demonstrated a healthy and sustainable balance sheet performance in 2016. Çimsa's total sales turnover in 2016 was 1 billion 170 million TL, and its consolidated net income was 246 million TL.

The operational and financial success in 2016 has once again demonstrated the precision of Çimsa's strategy, business model and organization.

Our investment efforts are continuing at full speed.

We have continued our investment efforts in 2016 in order to achieve a profitable and sustainable growth at Çimsa in the medium and long-terms, to adapt to the changing global market conditions with a proactive approach and to meet our customers' needs with the right products.

When completed, Afyon Cement Plant renovation investment project worth 165 million USD and Eskişehir Plant white cement expansion investment project worth 55 million USD, will contribute greatly to Çimsa's competitive power as well as leveraging its growth.

246

Million TL Net Profit

With our investment in Eskişehir Plant which is scheduled to finish in 2017, Çimsa's total capacity to produce white clinker will reach 1 million 565 tons a year and our company will strengthen its global leadership position in the white cement segment even more.

We successfully continue our investments in order to apply sustainability, shaped through integrated thinking, across the board at Çimsa and to utilize and develop all our intangible capital groups starting with human resources in the most efficient way. In this context we invested 11 million USD in the fields of environment, occupational health and safety, training and sustainability throughout the year and continued working on many projects in order to develop our production infrastructure and reached an investment total of 195 million USD.

2017 is likely to offer new opportunities at the global and national scales for our sector.

The general consensus is that the world cement sector will show a relatively lower growth performance in 2017. Ongoing political and economic problems mainly in the Middle East and certain regions in the world will prompt the cement producers to seek new structures and different markets.

Another topic before our sector is the increase in one of our basic inputs, energy costs. Energy prices are on the rise. This situation is a risk factor which needs to be carefully managed by all cement producers at the global scale.

Another important topic is the problems that have arisen in our frequently used export markets in recent years and they should be followed closely by all exporting companies.

In our country, activities in the construction sector and infrastructure investments are expected to continue in 2017. These two elements will continue to offer positive opportunities for our sector.

Message from the General Manager

We consider our human resources, as our most valuable assets.

The main goal of Çimsa in human resources is to ensure organizational change and development by creating a culture of high performance. Becoming a fair and egalitarian workplace where the employees are protected, where their talents are honed, where equal opportunities are provided to both men and women, where the leading and pioneering practices are implemented in terms of occupational health and safety is our goal and our indispensable standard set by Çimsa.

Enhancing and increasing the competencies and skills of its employees is another priority for Çimsa. In this context we continue our training programs with a multi-dimensional approach and keep investing in our human resources.

I would also like to gladly mention that our company has signed the Women's Empowerment Principles (WEPs) published by the UN Global Compact and committed to develop and implement company policies which will improve gender equality.

Our goal is to participate in activities which will lead the way in empowering women in the workplace, in our sector and also in the society and to contribute to raising awareness in gender equality in the sector.

2016 Climate Leader

Another development which made us happy and excited as a team in 2016 is the success we achieved in the context of CDP (Carbon Disclosure Project).

Çimsa, being the first of its kind in the cement sector, won the "CDP TURKEY 2016 CLIMATE LEADER" award in A-category in light of the results of the Climate Change Report. Çimsa became a pioneer with this award in the cement sector.

WEPs

Çimsa signed the Women's Empowerment Principles and committed to develop and implement company policies which will improve gender equality.

We are a corporate citizen who cares about the climate change and global warming and we are focused on making a difference in this field. We accept climate change as the most important topic that threatens the lives of future generations and in this context we continue to fight against it both as Çimsa and also by actively participating in multilateral initiatives.

Being enduring, agile and austere...

We need to be enduring, agile and austere in order to accurately predict and manage the current market developments and its results which will manifest in the future. Our basic values sustainability, quality and leadership will show us the way in this journey. These values will make it possible for us to propagate a performance focused culture at Çimsa and to manage the factors which are likely to affect our jobs, our environment and social universe with a proactive approach.

Unifying and powerful

We give life to cement which is a unifying and powerful product. In this process we go beyond just being an industrialist and trader and combine yesterday with today and today with tomorrow thanks to total value we produce, and we take our part in all our shareholders' lives.

In our production and trade cycle, we bring together a large number of economic, environmental and social parameters at the right scales. We have a know-how that enables us to achieve this and we constantly develop in accordance with current conditions.

CDP

Turkey 2016 Climate Leader

We share our formula of success with you transparently by using this process as a piece of puzzle in our 2016 Integrated Annual Report.

Çimsa, celebrating its 45th anniversary in 2017, is focused on sustainable and profitable growth and is committed to moving forward its claim to the global cement industry.

Our main goals in 2017 and beyond are;

- To complete our ongoing investments at Afyon and Eskişehir Plants according to the schedule,
- To investigate foreign investment opportunities and enter new markets with our producer identity,
- To improve our efficiency and product diversity in all segments,
- Special products strengthen our global identity.

Distinguishing itself with its capability to meet internal and external customers' product and solution needs properly and promptly with its market-focused approach and wide distribution network, Çimsa is determined to reach its goals and produce more for its stakeholders.

We'd like to thank you for your trust in the Çimsa brand.

Çimsa prepared this integrated report in order to share the value it created and the developments in its operations with its stakeholders in a sincere, transparent and internationally comparable format. The report contains information on company strategy, its management, performance, future expectations and how Çimsa is going to create value in the short, medium and long terms.

We are the first publicly traded industrial company in Turkey with integrated annual report. Çimsa was able to sign this report as a company which has internalized integrated thinking and execution from the management to production at all stages of the economic cycle. We are excited about this situation and also we are more hopeful and determined about the future despite all difficulties that we foresee.

I take this opportunity to thank you, our valued stakeholders who have contributed to our sustainable growth and profitability for your trust in the Çimsa brand on behalf of Çimsa and myself.

Best regards,
Nevra Özhatay

About CDP

Considered the most prestigious and widely known environmental initiative, CDP has been combating climate change for more than ten years as an independent and international institution and reports the greenhouse gas emissions, energy usage of the companies and their work on climate change risks.

More than 5,600 companies in approximately 100 countries have been measuring the results of the interactions between their activities and climate change, water resources and products causing deforestation and the risks they are faced with and they have been disclosing them to their investors. CDP manages assets of 100 trillion USD as of 2016 end and has 827 international investors.

Mission and Values

Our Mission

Çimsa's goals are to grow profitably and to become an international cement and construction materials company which leads the sector for a livable future.

Çimsa is an institution that provides quick solutions with the products and services developed with its business partners for the various needs of its customers and employees in the changing world conditions in order to keep growth sustainable and create value for all its stakeholders.

Using resources efficiently and recycling waste materials as energy and raw materials are the foundations of Çimsa's road map and signify the responsibility of the company for a sustainable future.

Our Values

Çimsa's values are

- the will to succeed,
- teamwork and cooperation,
- being customer-focused,
- to contribute to the development of the society and the environment.

Çimsa aims to carry forward its leading position in the sector by making a difference with its flexible business model and employees who share common values.



Kayseri Plant

WE PAVE THE WAY THAT BRIDGES STRATEGY WITH CAPITAL AND QUALITY WITH PRODUCTION.



Strategy

Capital

Quality

Production

Corporate Profile - Shareholder Structure

Turkey's Leading corporation of Turkey cement industry

One of the leading corporations in cement industry, Çimsa started its operations in 1972.

Çimsa is an international cement and building materials company with its 45 year-experience, wide product range and innovative employees. It has been constantly growing by respecting people and the environment while making a difference in its sector.

Çimsa is focused on properly and promptly meeting the product and solution needs of its customers with its market focused approach and wide distribution network. Çimsa provides living environments for future generations and the required materials for their infrastructure as a reliable business partner of its stakeholders.

Çimsa has plants in Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar, a cement grinding and packaging facility in Ankara, Marmara Terminal and a cement packaging facility in Malatya.

Also being a global cement producer, Çimsa provides services to its international customers with overseas terminals in Trieste, Italy; Eemshaven in Germany; Sevilla and Alicante in Spain, Köstence in Romania, Novorossiysk in Russia and Gazimagusa in Northern Cyprus.

Çimsa is a leading company in terms of innovation in its sector in Turkey with special products like white cement and calcium aluminate cement along with grey cement.

It exports white cement and special products to 65 countries.

One of the leading brands in the world in the field of white cement, the company increases the recognizability of the Çimsa brand in international platforms by exporting value added products that it develops and also contributes to the sector and Turkish economy.

Çimsa exports white cement and special products to more than 65 countries, mainly to the Middle East, Europe, North Africa and the United States.

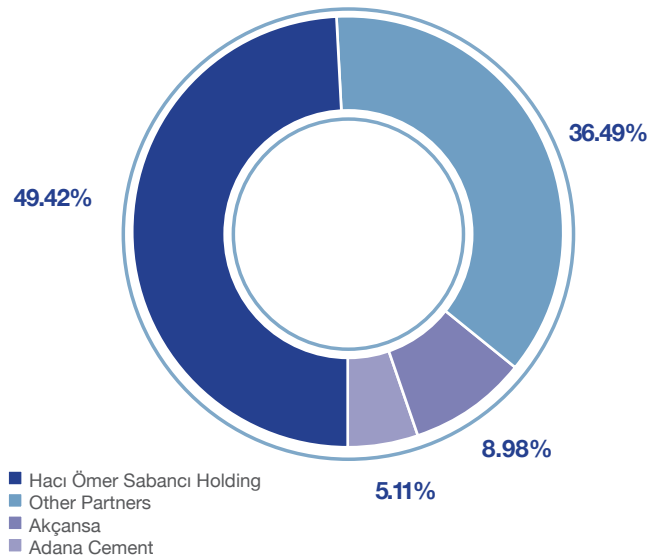
About the future

Çimsa aims to continue its growth by maintaining its competitive production power with the strategy it will be implementing in 2017 and beyond. The compass which Çimsa will be using to reach its goals is sustainability, which is also the leverage of all of its activities.

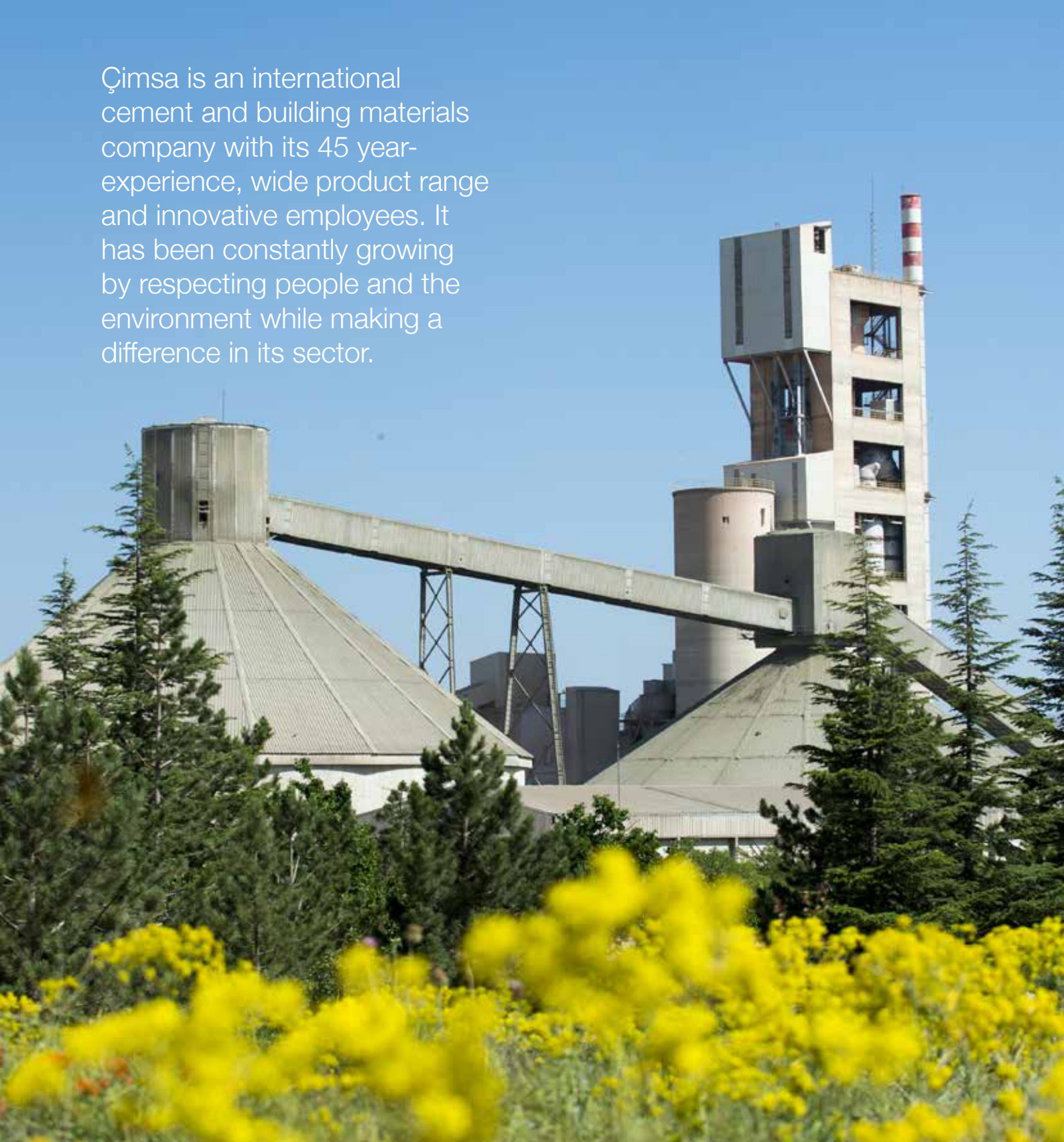
Shareholder Structure

The shareholder structure of Çimsa as of the end of 2016 is as follows.

| Shareholder Name | Share (%) |
|---------------------------|-----------|
| Hacı Ömer Sabancı Holding | 49.42 |
| Other Partners | 36.49 |
| Akçansa | 8.98 |
| Adana Cement | 5.11 |



Çimsa is an international cement and building materials company with its 45 year-experience, wide product range and innovative employees. It has been constantly growing by respecting people and the environment while making a difference in its sector.



Kayseri Plant

Operation Map-Domestic Facilities*

Eskişehir Plant

Cement plant with the highest rate of waste incineration in Turkey

| | |
|----------------------|------------------------------|
| Grey cement | 1,200,000 thousand tons/year |
| Established in | 1957 |
| Acquired by Çimsa in | 2005 |

Kayseri Plant

The cleanest industrial plant in Turkey

| | |
|----------------------|-------------------------------|
| Grey cement | 1,098,058 thousands tons/year |
| Established in | 1992 |
| Acquired by Çimsa in | 1996 |



Mersin Plant

The only cement plant which can produce grey, white and calcium aluminate cement under the same roof

| | |
|--------------------------|---------------------|
| Grey cement | 2,167,500 tons/year |
| White cement | 1,455,500 tons/year |
| Calcium aluminate cement | 45,900 tons/year |
| Established in | 1975 |
| Acquired by Çimsa in | 1975 |

Niğde Plant

Çimsa's greenest plant where wildlife is protected

| | |
|----------------------|-------------------|
| Grey cement | 801,500 tons/year |
| Established in | 1957 |
| Acquired by Çimsa in | 2007 |



Afyon Plant

Turkey's modern cement plant after new investments

| | |
|----------------------|----------------------------|
| Grey cement | 543.776 thousand tons/year |
| Established in | 1957 |
| Acquired by Çimsa in | 2012 |

Ankara Cement Grinding and Packaging Facility

| | |
|----------------------|---------------|
| Portland Cement | 100 tons/hour |
| Established in | 2002 |
| Acquired by Çimsa in | 2005 |



Marmara Packaging Terminal

| | |
|---|---------------|
| Installed silo capacity | 6.000 tons |
| Bagged and bulk cement packaging/loading capacity | 100 tons/hour |
| Rented in | 2008 |

Malatya Packaging Terminal

| | |
|--|-------------|
| Processing and packaging unit capacity | 60.000 tons |
| Cement silo capacity | 2.700 tons |
| Established in | 1996 |

Operation Map-Overseas Terminals

Germany, Italy, Spain, TRNC, Romania, Russia

Çimsa Cement Sales North GmbH (Germany)

Çimsa Cement Sales North GmbH conducts marketing activities of white cement and calcium aluminate cement in North and Western Europe under the Çimsa brand, with 9,000 tons of bulk cement silos. The headquarters of the company is in Hamburg and it provides services in Germany and the Netherlands with various packaged product warehouses and recycling facilities.

Çimsa Adriatico S.R.L. (Italy)

Çimsa Adriatico SRL serves with the Çimsa brand in the Italian market, which is the third largest white cement consumer in Europe after Spain and Germany, with four 5.000 tons of silos in Trieste Port. With its advantageous location the terminal also offers access to Slovenia, Croatia, Bosnia and Herzegovina, South East Germany and Austria, all of which have a high potential for development.

Çimsa Cementos Espana S.A.U. (Spain)

Çimsa has been operating in the Spanish market since 1996. The company has two terminals in Sevilla with 5,000 tons and 10,000 tons of silos in Alicante, a plant that produces white cement additive flooring material, and a modern infrastructure of cement packing lines and logistics structure.

Alicante Terminal, one of Spain's most modern cement terminals, has been marketing Çimsa white cement to Alicante, Murcia, Valencia, Catalonia, Toledo, Madrid and Gijon markets since 2011.

Çimsa as global an cement producer, provides direct, timely, of high quality and reliable services to its customers through its international terminal structure.

Çimsa Cement Free Zone Ltd. (TRNC)

Çimsa has been providing service since 2005 with a terminal with 5,000 tons grey cement storage capacity, installed at Famagusta Free Port and Zone in Turkish Republic of Northern Cyprus (TRNC).

Çimsarom Marketing Distributie S.R.L. (Romania)

Serving in Romania's Köstence market, the company markets Çimsa white cement and ISIDAÇ 40 in Romania and the surrounding markets.

OOO Çimsa Russian CTK (Russia)

Çimsa serves in the Russian market, which it entered in 2008, with its 7.000 ton silo-sized Novorossiysk terminal. The company supplies white cement and ISIDAÇ 40 to Russia market.

Product Range

Çimsa's product range of gray cement, white cement and specialty products is the product of combining 45 years of experience, in-depth market analysis and know-how with R&D power and technological infrastructure.

Gray cement standard and special products

<https://www.cimsa.com.tr/en/products-and-services/cement/cement/i-141>



White cement standard and special products

<http://thenameoftheformula.com/home/>



Çimsa continues to develop innovative products and to offer customized solutions to meet the different needs of its customers by pursuing technological and scientific developments in the ready-mixed concrete sector.

Ready-mixed concrete standard and special products

<https://www.cimsa.com.tr/en/i-142>



Milestones

1972

It was established in Mersin.

1975

Started production with a capacity of 1 million tons/year.

1988

Stepped into the ready-mixed concrete sector.

1990

The world's first convertible gray/white clinker production line was introduced.

1995

A grinding/packaging facility in Kayseri was acquired.

1996

Malatya packaging terminal was acquired.

2000

A new white clinker line with 600,000 tons capacity was introduced. With the addition of this production facility, Mersin became the highest capacity white cement plant under one roof in the world.

2002

The first Calcium Aluminate Cement production started in Turkey.

2005

Northern Cyprus terminal was acquired.
Kayseri Plant clinker line was commissioned.

Standard cement was acquired. (Eskişehir Cement Plant and Ankara Cement Grinding Facility).

2006

Romania sales office was established.

2007

Çimsa acquired Oysa Niğde Plant.

2008

Eskişehir's second line was commissioned. With the acquisition of Bilecik Ready-Mixed Concrete Facility, Çimsa became the largest producer in the ready-mixed concrete sector in Turkey in terms of number of facilities.

2009

Russia terminal was commissioned.

2010

Çimsa published its first sustainability report covering the periods 2007 - 2010.

60% of the shares of MEDCON which owns the Trieste terminal was purchased in February 2010.

Çimsa started producing the Super Pumice Block Cement.

2011

HotDisc (Waste Feeding and Waste Energy Recovery) investment was completed at Eskişehir Plant.

2012

51% of Afyon Çimento Sanayi ve T.A.Ş. shares were purchased from the PARCIB S.A.S which belongs to the Italcementi Group companies on 31.05.2012. Denizli Üçler Ready-Mixed Concrete Facility and Agregat Operations were acquired in December 2012.

2013

Became the first and only Turkish company to join the Cement Sustainability Initiative (CSI).

United Nations Global Compact was signed.

2014

Re-establishment of Afyon Cement Plant was decided with an investment budget of 165 million USD on 21 November 2014.

Eskişehir Plant received the TS10002 Customer Satisfaction Management System certificate.

2015

Çimsa was given "Gender Mainstreaming in Business Life Award" by General Directorate of Labor of Ministry of Labor and Social Security.

Çimsa announced its decision to make 55 million USD white cement investment at the Eskişehir Plant.

2016

A first in the Turkish cement sector, Çimsa placed in the A- category and won the "CDP Turkey 2016 Climate Leader" award according to the Climate Change Report results.

Çimsa will be celebrating its 45th anniversary in 2017.

ÇİMSA**45 YEARS TOGETHER**

WE PAVE THE WAY THAT BRIDGES PERFECTION

WITH INDUSTRY AND PEOPLE WITH HOPES.



Our Strategy

The strategic focal points of Çimsa are maintaining its competitive production power, continuing to grow and creating added value.

Çimsa believes that sustainability has an important role in the journey to reach these goals and carries out its activities with this perspective.

The strategy of Çimsa guides its decision making processes in all operations at all levels in Turkey and abroad.

Strong financial and operational performance is only a part of the total output for Çimsa. Çimsa acts by considering the output derived from the interactive relationship built with its stakeholders and its impact on the society on a broader sense.

This integrated outlook, behavior and execution style makes it possible for Çimsa “to maintain competitive production power, continue its growth and create value” and pave the way to reach its short, medium and long-term goals.

The action plan of Çimsa

- Growth in white cement and special products and increasing the shares of these products in the portfolio. Conducting R&D in these fields.
- Increase of efficiency in the production processes as a direct result of Afyon and Eskişehir investments, optimization of the product portfolio.
- Close follow-up of business opportunities of different scales in order to increase effectiveness in new markets abroad.
- Taking the necessary actions to increase the amounts of alternative raw materials and alternative fuels used in order to reduce CO2 emissions and to avoid the fluctuations in energy costs and foreign exchange.

Foundations of our strategy and our stakeholders

Çimsa aims to create value at the highest level for all its stakeholders and identifies its short, medium and long-term actions accordingly. Çimsa takes actions and measures for the most efficient use of its capacity and evaluates new growth opportunities closely with a proactive approach. Çimsa has identified the foundations of its strategy along the axes of commercial and sustainability.

Commercial

- New investments and cost-based production with efficiency measures
- Increasing sales amount in line with increasing capacity
- Diversification of product portfolio with the developments in white cement and special products,



Shareholders and Investors,
Customers,
Administrative (increasing tax, new investments)

Sustainability

- Environmental Investments
- OHS
- Social responsibility projects



Environment,
Public,
Employees,
Local Community,
NGOs

Our Job Cycle



Eskişehir Plant
Deniz Buzluca - Quality Technical Expert
Reha Kaşıkçı - Physics Lab Assistant

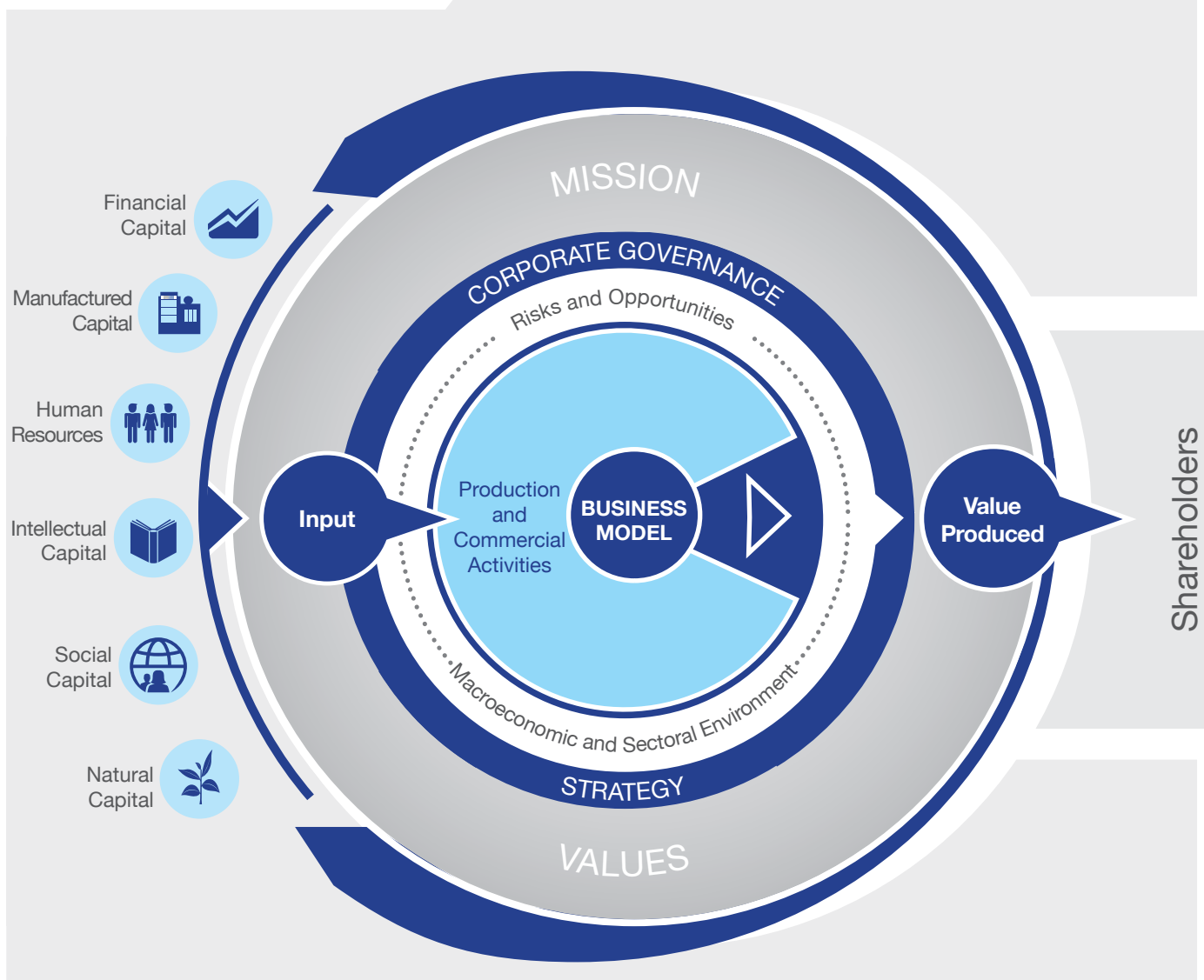
Çimsa's strategic and sustainable capital components

Çimsa considers its strategic focal points in direct relation to the 6 capital categories of the IIRC model. The IIRC model involves the analysis of financial, manufactured, intellectual, social, human and natural capitals.

Çimsa integrates these capital components into its corporate strategy and executes a balanced business model which can go beyond financial sustainability.

6 different capital groups point to the channels where Çimsa's strategy produces long-term added value for its stakeholders.

Çimsa's Job Cycle

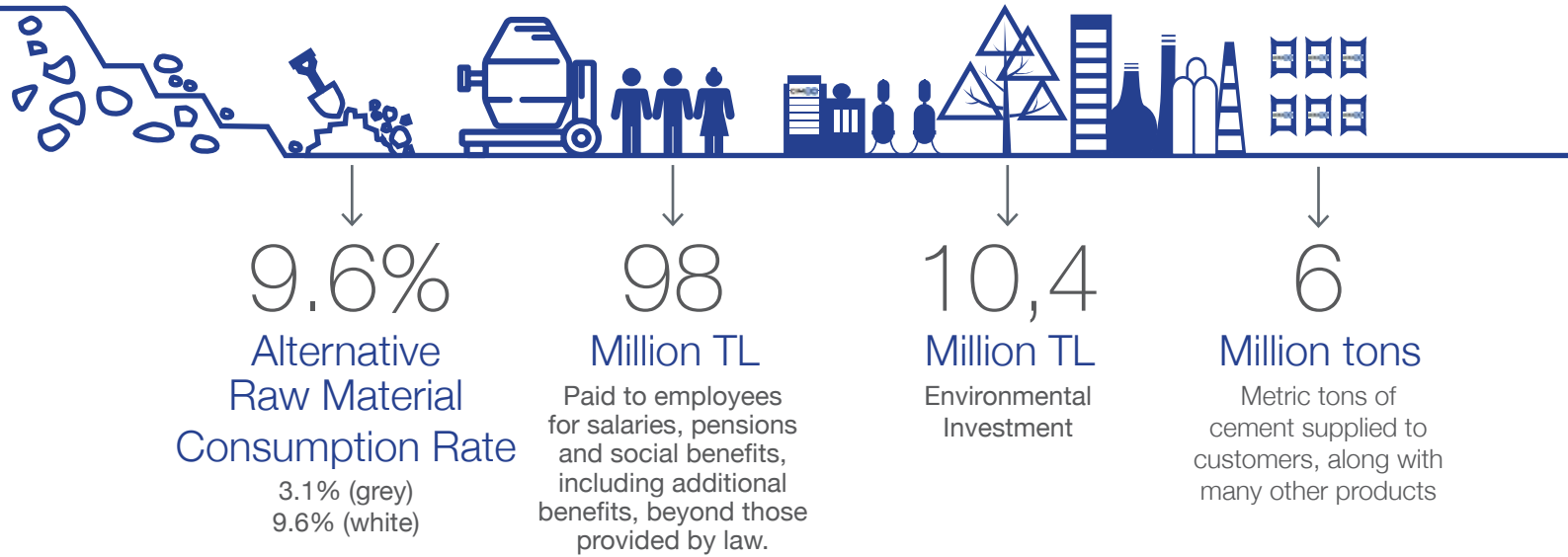


Çimsa's Strategic Focus

IIRC - 6 Capitals Model

| | Financial | Manufactured | Intellectual | Social | Human | Natural |
|--|-----------|--------------|--------------|--------|-------|---------|
| Cost-based production | ■ | ■ | ■ | | ■ | ■ |
| Effective use of financial assets | ■ | ■ | | | | |
| Ensuring capacity increase | ■ | ■ | | | ■ | ■ |
| Diversification in the product portfolio | ■ | | | ■ | | |
| Environmental Investments | ■ | ■ | | | | ■ |
| OHS | ■ | | | | ■ | |
| Social responsibility projects | ■ | | | ■ | ■ | |

The Value We Produce and Share in 2016



Inputs

- **Our natural capital**
Any kind of raw material, energy and water we use in production
- **Our manufactured capital**
Çimsa's plants, ready-mixed concrete facilities, overseas terminals, logistics and network of distributors
- **Our human capital**
Our team of 2500 employees (including subcontractors)
- **Our financial capital**
1.4 billion TL equity (as of the end of 2016), 246 million TL net profit (as of the end of 2016).
- **Our social capital**
Local people living in regions where the company operates, our customers, suppliers, partners
- **Our intellectual capital**
Çimsa's know-how as a product of 45 years of experience,
First Çimsa Cement Research and Application Center in Turkey,
4 patents and EPDs,
Leed certificate,
Compliance to the country standards.

Our Activities

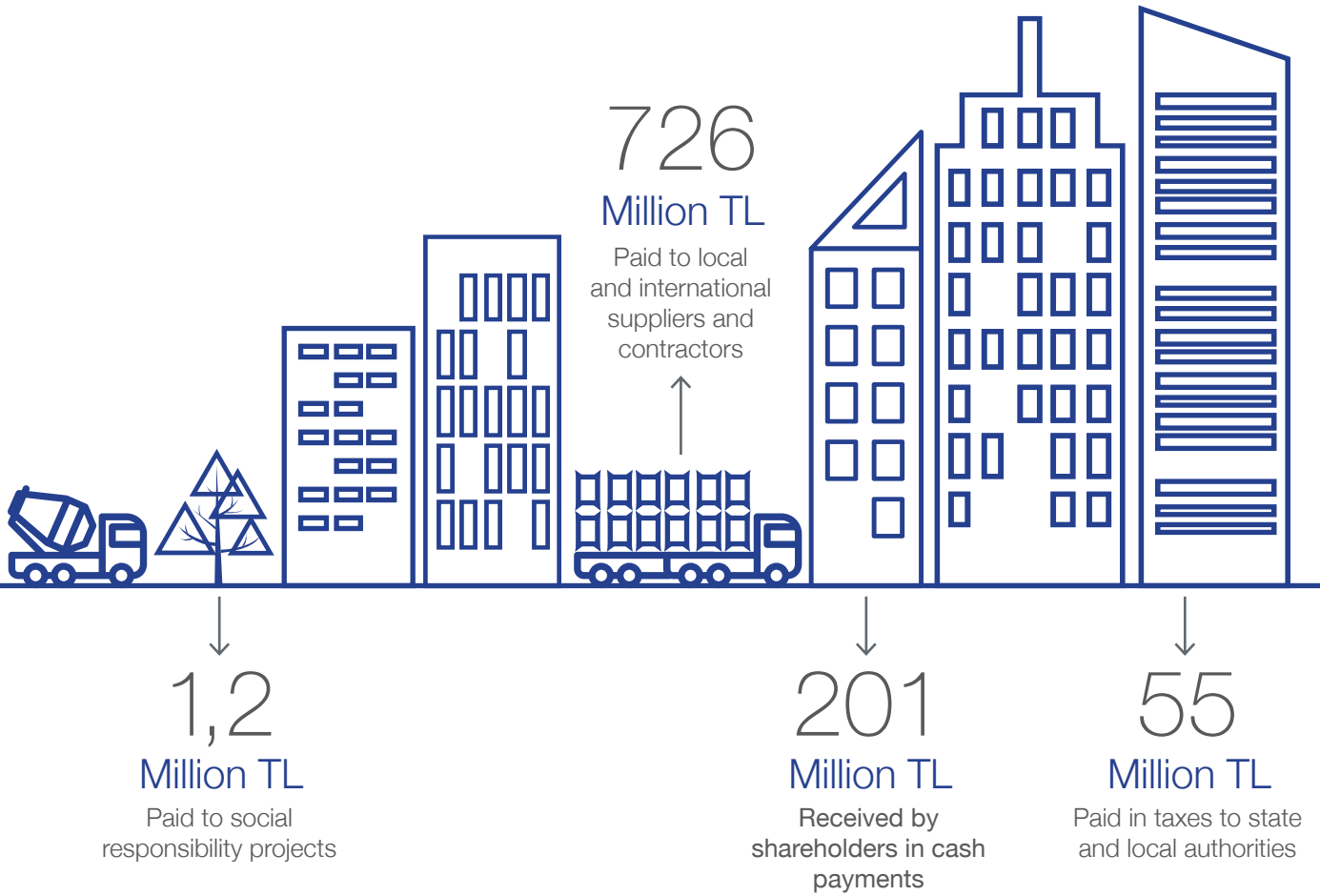
Producing gray and white cement is the fundamental operation of Çimsa.

Çimsa provides special products and practices in accordance with the needs of its customers with its innovative approach and technological substructure.

Çimsa focuses on quality in its every production operation.

Çimsa gives occupational health and safety utmost importance, also considers protecting environment as its fundamental goal.

Çimsa also considers reduction of emissions and increasing alternative fuel usage as other main points of this process.



Our Products and Services

The cement produced by Çimsa is one of the basic inputs of human life. Cement is a construction material that is used in many areas such as our homes, schools, hospitals, airports, mega over and underground buildings.

In addition to gray and white cement, Çimsa also offers services in ready-mixed concrete area. Çimsa also produces value to the academic world, innovation and customers through the projects carried out by the Cement Research and Application Center.

The Value We Produce and Share in 2016

Çimsa, an employer, taxpayer and industrialist, is also one of the leading cement producers of our country.

Contributing to the country budget as a taxpayer, Çimsa supports economic cycling throughout the country with expenditures made within the scope of the supply chain.

Çimsa's direct contribution to the economy is emerging in a profitable and sustainable business model that enables paying employees salaries, suppliers payments, taxes to the government, and shared profit to their shareholders.

Sustainable Development Goals and Çimsa

The agreement titled “Transforming Our Earth: The 2030 Sustainable Development Agenda”, adopted by the United Nations’ 193 member states on 25 September 2015, consists of 17 Sustainable Development Goals and 169 sub-headings.

17 Sustainable Development Goal (SDG) has introduced a much broader sustainability agenda and has gone beyond the Millennium Development Goals.

The goals are to find solutions to the main causes of poverty and to provide improvement for everyone as a universal need.

The global consensus around SDG has pointed to an important milestone in turning our globe into a more inclusive and sustainable growth policy.

Recently, Çimsa, an active participant of the UNGC and a member of the Board of Directors of Turkey Network, closely monitors developments in both the global and the national scale and has updated its sustainability agenda to internalize the Sustainable Development Goals.

Çimsa believes that the Sustainable Development Goals will contribute to the further development of cooperation on different levels, the acceleration of the contribution to the protection of the environment and the efficient use of natural resources, the enhancement of the value produced and the deepening of the stakeholder relations in every way.

All of the 17 target is not the first priority for Çimsa. Based on findings from ongoing regular and interactive communication with our stakeholder groups, our Leadership Team identified the following Goals as the priorities of Çimsa and added them to our strategic agenda.



The agreement titled “Transforming Our Earth: The 2030 Sustainable Development Agenda”, adopted by the United Nations’ 193 member states on 25 September 2015, consists of 17 Sustainable Development Goals and 169 sub-headings.



Risks and Opportunities

Market developments affect our work and shape the future.

The operations of Çimsa, which aims to be a leading participant of the global cement sector, are managed in the presence of many factors.

Çimsa's operations are subject to the impact of many factors.

Çimsa's senior management handles and manages factors with a proactive approach in the context of corporate policies and target sets designed in line with the company strategy.

Main factors affecting Çimsa's operation universe in 2016 were

- developments in the global and national economy and markets, especially the volatility in foreign currency exchange rates and price movements in the energy market,
- demand trends in the domestic and foreign cement sectors,
- domestic and foreign competition conditions.

Headlines from the developments in the global and national economy...

- **The Fed increased the interest rate in December in line with expectations.** The Fed increased its policy interest rate by 25 basis points on its meeting on 14 December 2016.
- **Improvement in the developed economies continues.** The results of 2016 point towards a recovery process in the economic performance of both the U.S. and the Euro Zone. According to the end of 2016 data, the U.S. grew by 1.6% and the Euro Zone grew by 1.7%.
- **The U.S. presidential election is now over.** The Republican party candidate Donald Trump won the U.S. presidential election on 8 November 2016. At the core of the economic policies that Trump vowed to implement during his election campaign is the increase in growth through public spending.
- **Conflict in the Middle East and migrant crisis are still ongoing.** Syrian civil war, regional terrorism and the migrant crisis have affected the Middle East and the surrounding countries to a great extent.
- **The IMF has revised the 2017 and 2018 growth forecasts of developed countries upwards in light of the current developments.** The IMF increased its 2017 and 2018 growth forecasts for developed countries by 0.1 and 0.2 points respectively in the World Economic Outlook published on 16 January 2017.
- **There is increased pressure on developing economies.** The IMF emphasizes that foreign capital flowing into developing countries has slowed down in 2016 and most of these currencies have been devalued therefore the growth performance of this group in 2017 will be below the previously announced forecasts.

In the coming period expansionary monetary policies that will be implemented are likely to offer countries an opportunity to focus on fiscal policies. There is a strong possibility that many countries will increase their public spending to support growth.

- **Turkish economy relatively decelerated in 2016.** Political developments in 2016 and the Middle East crisis created a pressure on the Turkish economy and there was a slowdown in the economic activity especially in the third quarter.
- **There were quick steps taken by the management of economy.** Measures to eliminate the slowing in the markets were implemented proactively and quickly by the economy management. Markets quickly responded to these easing measures.

Risks and Opportunities

- **The increase in sales of residential housing is promising. Accelerating since September 2016, residential sales had a strong performance in November.** Residential sales increased by 4% in 2016 to over 1.3 million. Residential sales on credit have increased by 3% compared to the previous year due to eased macro prudential measures regarding personal loans.
- **Exports recovered in the last two months of 2016.** Following the 9.5% increase in November, export volume also increased by 9% in December.

Outlook in the cement sector

The global cement sector is developing in line with the long-term trend.

Economic developments in China, which is solely responsible for more than half of the global cement consumption, directly affect the global cement production.

The slowing down of the Chinese economy in 2015 also caused the cement consumption in the country to slow down. The increase observed in other regions and countries in the world despite the slowing down in China kept the global cement sector in equilibrium and the total consumption was at 4 billion tons.

Due to a relative recovery in the Chinese economy and rising cement demand, it is estimated that the global cement consumption was 4.1 billion tons in 2016.

Main consumption areas of the cement sector are construction and infrastructure investments. These kinds

of investments are usually concentrated on the developing countries whose populations are increasing. But recently there is an upsurge in housing and especially infrastructure investments in the developed markets like the U.S.

Turkey is the 5th cement producer in the world and the leader in Europe. Turkey is the leader in cement production in Europe and comes 5th in the world after China, India, the U.S.A. and Iran. According to the data as of the end of 2016, a total of 71 facilities of which 53 are integrated and 18 are grinding facilities operate in the Turkish cement sector.

Turkish cement sector is competitive therefore every year new capacity is introduced and the capacity increase rate in the sector exceeds the consumption increase rate.

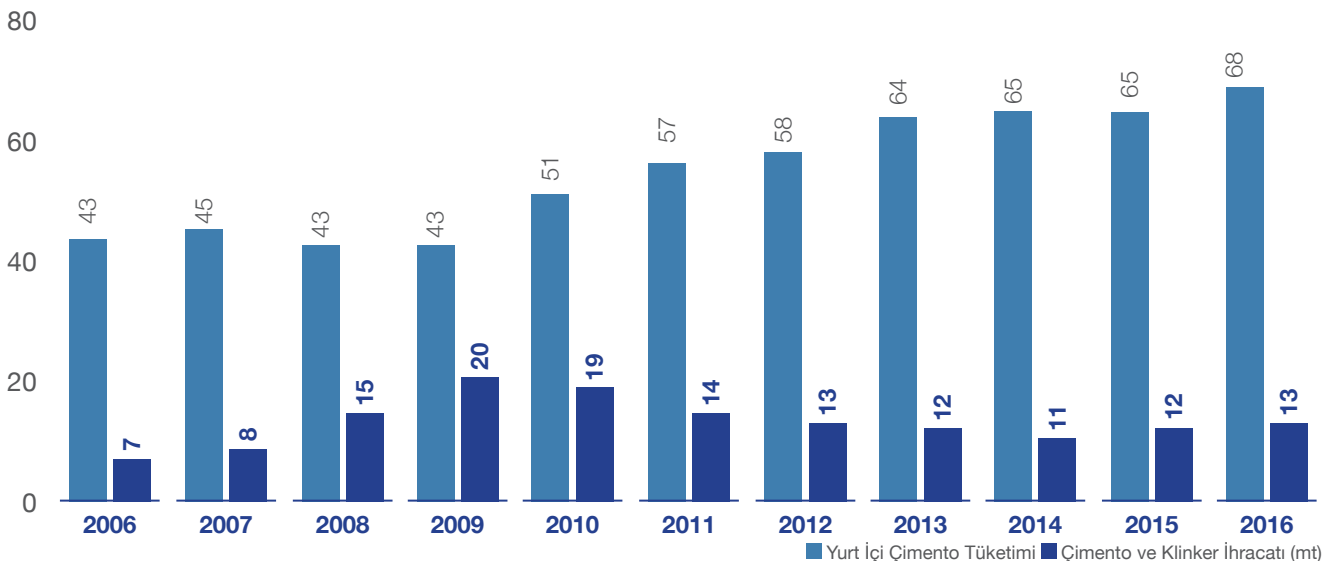
Cement consumption in Turkey increased by 5% in 2016 compared to the previous year and the surplus capacity over and above the domestic demand was exported. Cement and clinker exports were 13 million tons and they increased by 7% in 2016 compared to the previous year.

The growth of the cement sector in our country is directly related to the growth in the gross domestic product (GDP).

The growth of the cement sector in our country is directly related to the growth in the gross domestic product (GDP).

During periods when economic activity goes up, there is also an increase in cement consumption; when it goes down there is less consumption.

Turkey – Cement Consumption, Cement and Clinker Export



New market search in exports

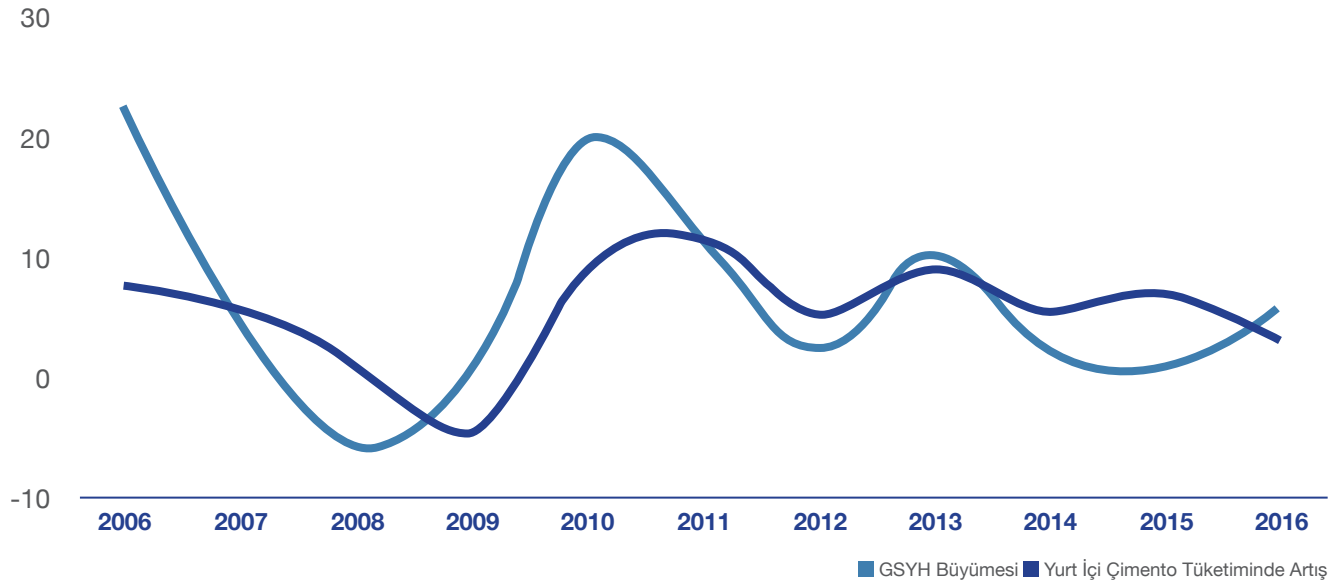
The Syrian civil war that has been going on since 2015, economic stagnation in Russia and social and political unrest in the Middle East and Northern Africa have pushed the Turkish cement sector into looking for new markets. In this period Northern and Southern America and Western Africa have been the primary new markets.

Total cement and clinker exports were approximately 13 million tons in 2016, showing a 7% increase compared to the previous year.

Compliance with the environmental regulations is one of the priorities of the sector.

While the cement sector keeps showing economic growth, it is also aware of its environmental responsibilities and aims to play an effective role on the dissemination of sustainable growth. Specifically sustainable development in the context of compliance with the European Union regulations has been in focus in 2016 as it was in 2015. Using alternative fuels, alternative raw materials, waste and energy efficiency stand out as crucial topics in Turkey in order to lower energy costs and decrease the carbon dioxide rates emitted to the atmosphere.

The Growth of the Gross Domestic Product (GDP) Domestic Cement Consumption



The Main Trends Affecting the Global and Turkish Cement Markets and 2017 Expectations

In the World

The main trend was company consolidations in 2016 while growth stayed below the global economic growth rate and cement consumption increases of previous years.

While low growth and stagnant demand conditions are predicted in 2017, the main trend is expected to be cost reducing actions due to increasing energy costs and asset sales.

In Turkey

While the sector showed increase in 2016, the situation in neighboring Middle Eastern countries and the domestic developments resulted in certain contractions in some regions. The main trend was investments and the pursuit of new markets.

The sector is predicted to grow in parallel to the GDP in 2017. Introduction of new capacities, cost decreasing actions due to increasing energy and other input costs and pursuit of new markets are likely to be the main trends.

Corporate Governance, Risk Management, Internal Audit

Corporate Governance

Çimsa has adopted a corporate governance approach based on principles of transparency and accountability. As a public company, Çimsa conducts its activities in this context in accordance with the Corporate Governance Principles of the Capital Markets Board (CMB).

The Çimsa Board of Directors consists of 6 members, and the majority are not executives. The Chairman of the Board of Directors and the General Manager are assigned to different persons. The Board of Directors has two independent members in accordance with the independence criteria stated in the CMB Corporate Governance Principles. Çimsa has the Corporate Governance Committee, the Audit Committee and the Early Risk Detection Committee, which operate under the Board of Directors.

Risk Management

At Çimsa, Corporate Risk Management “is a systematic process applied throughout the institution which was created with the objective of identifying potential events that could affect the Company, managing risks in accordance with the Company’s corporate risk-taking profile, and assuring a reasonable level of assurance that the Company will achieve its objectives; and which is influenced by the Company’s Board of Directors, senior management and all other employees to use in determining the strategies.

Risk management also covers sustainability-based risks such as business and health-related risks, occupational health and safety, climate change, energy costs, emissions, water resources, and supply chain management of these issues.

The highest level body responsible for corporate risk management is the Early Risk Detection Committee. The Committee is responsible for ensuring the effectiveness of institutional risk systems, risk perception and preventive actions. It is the responsibility of the Institutional Risk Management Unit to pass the risk management system into the life and to implement the defined processes. The Department systematically measures, assesses and prioritizes the operational, financial, strategic and external risks which could prevent the company from reaching its general strategy and goals and regularly tracks the identified critical risks.

Annual risk assessment studies allow for close follow-up of risks and quick action when necessary. The Risk Management Unit, reports their studies and the results they obtain to the Early Risk Detection Committee and the risk management activities and effectiveness are evaluated by the related committee and shared with the Board of Directors.

Internal Audit

The main function of the Internal Audit Department is to provide independent, objective assurance and consultancy services to Çimsa by utilizing the International Internal Auditing Standards. The Internal Audit Department, which is affiliated to the Audit Committee, is responsible for carrying out audits, investigations and examinations to protect the rights and interests of the Company and to develop proposals against internal and external risks. To that end, it performs the below-mentioned duties in order to contribute to the Company’s growth, development, and institutionalization:

- a. Auditing the compliance of the internal control systems of all units within central and field organizations and the international terminals, warehouses, and establishments of the Company with corporate governance principles and code of ethics, and the adequacy and effectiveness of risk management practices; drawing up audit plans and programs and implementing these according to a pre-prepared schedule,
- b. Monitoring the practices related with audit reports and ensuring that the operations and procedures are conducted in the frame of the agreement provided and the instructions of the Headquarters,
- c. Conducting examinations, researches and investigations related with the special duties assigned by the Chairmanship of the Board of Directors, the Audit Committee and the General Manager; reporting the results,
- d. Supervising the implementation of Company regulations, procedures, circulars, and department-specific instructions, ensuring their effect and making suggestions on points that need to be corrected,
- e. Monitoring that the operations and transactions of all departments are carried out in compliance with directives such as the decisions of the Board of Directors, plan and budget targets, legislation, regulations, procedures, circulars, instructions, etc.,
- f. Carrying out financial and economic analyses of the operations and transactions performed and developing suggestions to increase savings and efficiency,
- g. Informing the Audit Committee continuously about the audit activities and the adequacy of internal control system; implementing their requests and suggestions related with the issue,
- h. Providing consultancy and support services for senior management and the Board of Directors by conducting advisory studies for objectives that provide added value, such as assisting the Company in achieving its targets, increasing the stock value, improving corporate processes and operations, enhancing the service quality and customer satisfaction, etc.

Sustainability Management in Çimsa

Çimsa's sustainability policy is to make the sustainability approach a part of the institutional culture and integrate it with the products and services into individuals, the teams and the stakeholders in decision-making, implementation and business processes.

Çimsa Sustainability Management Organization

The management of sustainability in Çimsa is under the responsibility of the Sustainability Committee, which is regularly convened during the year under the leadership of the CEO.

Sustainability Committee consists following functions;

- Operations and Investments
- Financial Affairs,
- Human Resources,
- Buying and Logistics,
- Sales,
- Ready-Mixed Concrete,
- Strategy and Work Improvement,
- Corporate Communications and Sustainability

The aim of the committee is to achieve sustainability issues through institutional objectives by steering feedback from stakeholders, in-house performance, global and local trends.

The Sustainability Committee tracks sustainability issues throughout the year and prioritizes them and incorporates relevant performance indicators into their follow-up systems, making them part of sustainability management.

Niğde Plant



Risk Management Policy to Be Implemented by Çimsa against Predicted Risks

The investment and working capital needs of the company are financed by short and mid to long-term exports and Turkish Lira and foreign currency loans.

While the exchange risks stemming from foreign-currency-based loans are naturally offset by export income, the appropriate financial instruments are also considered.

Identification and monitoring of the probable risks that the company could encounter forms the basis of risk management. Corporate risk management practices are observed in parallel to the risk management & practice procedures. The risks which the company could most likely encounter were classified based on their priorities and critical risks are being monitored by the Senior Management and Board of Directors. Sabancı Holding is insured as per the local and global policies in line with the risk policies in order to minimize the risks that could directly impact the company's financial status for all facilities.

Corporate Risk and Treasury Management Department is committed to the execution of effective corporate risk management. Risk Management Department has developed and implemented processes to be followed for effective risk management in the company. With the Corporate Risk and Treasury Management Department the company

systematically measures, assesses and prioritizes the operational, financial, strategic and external risks which could prevent the company from reaching its general strategy and goals and regularly tracks the identified critical risks.

Corporate Risk and Treasury Management Department reports its activities, whether or not the current actions had the desired impact and improvement on the risks and the results obtained to the Corporate Management Committee at meetings held throughout the year. Risk management activities and their effectiveness are assessed by the committee and shared with the Board of Directors.

An Early Risk Detection Committee was set up as per the Capital Markets Board's Communiqué on Corporate Governance, and the committee and the Corporate Risk and Treasury Management Department are expected to coordinate their activities.

With the establishment of a Corporate Risk Management at Çimsa, the propagation of risk management culture and perspective across all company units, the development of proactive approaches, laying out possible opportunities, the preservation and enhancement of company value, development of natural hedging and portfolio management and increasing the trust and confidence of the interested parties were intended.



Our Stakeholders

Stakeholders are the most important link of the Çimsa value chain.

Çimsa continues its activities through interactive communication and cooperation with its stakeholders. Stakeholder communication, which continues in the context of daily production-trade cycle for the most part, offers an extremely valuable platform for Çimsa to understand and evaluate the demands and expectations correctly.

According to Çimsa, effective communication with stakeholders is one of the conditions of corporate success. Çimsa has adopted effective stakeholder communication as part of the Corporate Communication Strategy and Sustainability Strategy of the company.

Çimsa informs its stakeholders about its performance through different channels. The company also holds stakeholder meetings in order to keep in touch with its stakeholders and to collect their views and suggestions on its activities.

The priorities identified in 2014 are still generally valid for Çimsa. On the other hand in 2015, the company came together with its customers and dealerships at social and sectoral activities and met with investors in investor meetings.

Throughout 2016 Çimsa met with the local people during corporate social responsibility projects at regions where it operates and worked in cooperation with sector associations. Bilateral and multilateral investor meetings also continued to take place in 2016. Additionally, Çimsa communicated with its stakeholders many times through face-to-face communication and social media during its daily business cycle and had the opportunity to listen, record and assess the suggestions, expectations and requests.

Cement Sustainability Initiative (CSI)

An initiative of the World Business Council for Sustainable Development (WBCSD), Cement Sustainability Initiative (CSI) consists of 23 members who represent approximately one third of the global cement production. Çimsa is the first and only member from Turkey at CSI since it joined in 2013.

CSI creates a unique platform for its members where they can share information on national, regional and international levels, benefit from each other's experiences, and discuss and decide on the best practices. CSI members can discuss the current situation and development areas at the annual forum meetings.



To get information on CSI, visit www.wbcscement.org

Corporate Memberships of Çimsa

| | |
|--|---|
| Business Council for Sustainable Development (SKD/TBSCD) | Turkey Ready Mixed Concrete Association (THBB) |
| Turkish Green Building Council (ÇEDBİK) | Chamber of Mechanical Engineers |
| Turkish Industry and Business Association (TÜSİAD) | Chamber of Environmental Engineers |
| Turkish Marine Environment Protection Association (TURMEPA) | Chamber of Mining Engineers |
| Cembureau The European Cement Association (CEMBUREAU) | Mediterranean Exporter Associations (AKİB) |
| Turkey Association of People Management (PERYÖN) | Central Anatolia Exporter Associations (OAİB) |
| Corporate Governance Association of Turkey (TKYD) | Commerce and Industry Associations |
| The Corporate Volunteers Association (ÖSGD) | Mersin Industry and Business Association (MESİAD) |
| Association of Turkish Construction Material Producers (İMSAD) | World Business Council For Sustainable Development-Cement Sustainability Initiative (CSI) |
| Turkish Cement Manufacturers' Association (TÇMB) | Global Compact Turkey |
| Cement Industry Employers' Association (ÇEİS) | Integrated Reporting Turkey Network (ERTA) |

Our Stakeholders

| of Stakeholder Group | Communication Tool |
|--|---|
| Employees | Annual report, sustainability report, corporate policies, periodicals, suggestion system, SA-Ethics Principles, collective business agreement, employee training, occupational health and safety committees, internal notifications, social media, website, social activities |
| Shareholders and Investors | Annual report, sustainability report, corporate periodicals, interim activity reports, general assembly meetings, acknowledgments and material disclosures, investor presentations, meetings and interviews, teleconferences, SA-Ethics principles, social media, e-mail bulletins, website |
| Customers (Dealership & Users) | Annual report, sustainability report, corporate periodicals, product-brand-market researches, meetings and trainings, dealership meetings, periodic visits, interviews, product tags, SA-Ethics Principles, social media, website, social activities |
| Suppliers and Subcontractors | Annual report, sustainability report, corporate periodicals, SA-Ethics Principles, meetings and interviews, corporate policies, social media, website, social activities |
| Local Communities & General Public | Annual report, sustainability report, social development projects, meetings and interviews, social media, website, sponsorships |
| Public Institutions | Annual report, sustainability report, meetings and interviews, audits, technical reports, website, social activities, sponsorships |
| Academic Institutions | Annual Report, Sustainability Report, Meetings and Interviews, Shared Projects, Website, Sponsorships, Technical Trip |
| Sabancı Group Companies | Annual report, sustainability report, corporate periodicals, meetings and interviews, joint projects, social media, website |
| Financial Institutions | Annual report, sustainability report, interim activity reports, meetings and interviews, website |
| NGO, Sectoral Institutions & Professional Organizations | Annual report, sustainability report, social development projects, memberships, meetings and interviews, joint projects, social media, website |
| Media | Annual report, sustainability report, press meetings and press releases, meeting, meetings and interviews, social media, website |

Integrated Reporting Turkey Network (ERTA)

Work on the global dimension of integrated reporting has gained an institutional structure with the establishment of the International Integrated Reporting Council (IIRC) in 2010. IIRC has published the International IR Framework in December 2013, which has been finalized in line with the opinions of the private sector, public, civil society representatives and academics from many countries, including Turkey. Institutions that started integrated reporting are based on this framework in their reporting.

In 2011, a working group was established by the Corporate Governance Association of Turkey (TKYD) and the Sustainable Development Association (SKD) and work was started to raise awareness about integrated reporting in Turkey. TKYD has served as the communication point of IIRC in Turkey in this process. In 2013, Garanti Bank and Çimsa were the first member companies to join the IIRC to prepare an Integrated Report from Turkey.

Published by TÜSİAD in 2015, Prof. Dr. Güler Aras and Gaye Uğur Saroğlu's "New Period in Corporate Reporting: Integrated Reporting" guide is the first publication in the Turkish literature.

The Integrated Reporting Network of Turkey (ERTA), which was decided to be established by the related parties, is the product of all these studies, following the related guidance published by TÜSİAD on 21 January 2015 and the conference organized to promote Integrated Reporting. Prof. Dr. Güler Aras (independent founding member) presidency; Established by TUSIAD, TKYD, Borsa İstanbul, IIRC Turkey Embassy, Argument Management Academy, Global Compact Network Turkey, Garanti Bank, SKD Turkey and Çimsa, the platform aims to integrate non-financial information and integrated thinking.



Sustainability priorities of Çimsa



Çimsa shares sustainability issues and boundaries within the framework of a clear and transparent approach to the positive and negative impacts of its activities, and its remediation efforts to mitigate adverse effects.

Çimsa's sustainability issues have been addressed within the relevant sections in terms of the integrity of the report. Çimsa continues to work on preliminary studies on sustainability practices in the supply chain, driven by developments in global sustainability trends and GRI principles.

Çimsa Sustainability Topics and Limits

| GG Category | Çimsa Sustainability Topics | GRI G4 Sustainability Topics | Internal of Çimsa | External of Çimsa | Its relation with external Stakeholders |
|-------------------------------------|---|--|-------------------|-------------------|---|
| Society | Ethics and corporate governance | Anti-corruption, public policy, anti-competitive behavior, compliance | ■ | ■ | Compliance with Sabancı Labor Ethics and Corporate Governance Principles, and sustainability in terms of the continuity of operations in all senses. Business ethics and corporate governance are fundamental principles in the internalization and implementation of sustainability across Çimsa. The effect of Çimsa on business relationships is directly or indirectly related to the cause and the many stakeholders of the Company. |
| Society | Stakeholder Relationships | Local Groups | ■ | ■ | Çimsa establishes a sustained relationship with all internal and external stakeholders for the sustainability of operations and the development of sustainability performance. |
| Economic | Economic Value Created to Stakeholders | Economic Performance, Position in the Market, Indirect Economic Impact | ■ | ■ | Çimsa influences the life of the stakeholders with the economic value it produces. Customers, suppliers, public authorities, investors and shareholders, employees, financial institutions and society are the main stakeholders affected by the economic value generated by Çimsa. |
| Labor Practices and Affordable Work | Occupational Health and Safety | Occupational Health and Safety | ■ | | |
| Environment | Reduction of CO ₂ , Dust and Gas emissions | Emissions | ■ | ■ | Emisyonlar, Çimsa'nın çok sayıda paydaşını ilgilendiren bir konudur. CO ₂ ve gaz emisyonlarının atmosfere karışmasının sınırlandırılması, çevre kirliliğini azaltacak ve aynı zamanda iklim değişimi çalışmalarına katkıda bulunacak çalışmalar Çimsa'nın paydaşları ve faaliyetleri açısından önemlidir. Çevreye, insan hayatına ve gezegenin sürdürülebilirliğine verilen değer ile toz ve gaz emisyonlarını yönetmelik limit değerlerinin altında tutmak, sürdürülebilirliğe değer veren, saygın bir şirket olunmasına ve yatırımcı beklentilerinin karşılanabilmesine imkan sağlamaktadır. |
| Environment | Energy Efficiency | Energy | ■ | ■ | Emissions are a concern for Çimsa's numerous stakeholders. Limiting the mixing of CO ₂ and gas emissions into the atmosphere is important for Çimsa's stakeholders and their activities in order to reduce environmental pollution and to contribute to climate change studies at the same time. The value given to the environment, human life and the sustainability of the planet as well as dust and gas emissions below the regulation limits allow for a reputable company that values sustainability and the ability to meet investor expectations. |
| Environment | Increasing the use of alternative fuels and raw materials | Raw materials | ■ | ■ | Energy efficiency is one of the ways to combat climate change. Efficient use of energy of Turkey, which is dependent on foreign sources in terms of energy resources, will lead to a positive change in terms of the country as well as the cement sector. Çimsa aims to contribute positively to climate change through its work on energy efficiency, which is a member of a sector where primary energy sources are heavily used. |

WE PAVE THE WAY THAT BRIDGES TODAY WITH TOMORROW AND INNOVATION WITH TECHNOLOGY



Kayseri Plant
Rifat Uslu - Centralized Control Operator
Mustafa Paksoy - Centralized Control Operator

Headlines from our Sustainable Development in 2016

Financial



Çimsa's total sales reached
1,170 billion TL in 2016.
1,170 billion TL

Net profit
246 million TL

EBITDA
352 million TL

Business Capital
219 million TL

Shared profit
201 million TL

Export
110 million USD



5.6 million tons cement production

Çimsa produced 5.6 million tons of cement in 2016 and presented it to domestic and foreign customers.

Non-Financial

Social

Number of male employees
1071

Number of female employees
58



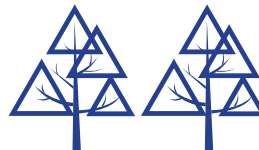
Percentage of female employees
in top management
37%

Total Training Hours
58,361 people hour

The total number of children 595
children in the "Summer Kids"
CSR project.
595 children

Environmental

Gross CO₂ emission amount
4.5 million tons
(gray + white)



Alternative fuel usage rate
8.67%

Alternative raw material
consumption rate
3.10% (gray)
9.6% (white)



Specific dust emission
19.1 gr/ton clinker

Profitability in terms of Çimsa in 2016 has increased compared to the previous year and it has been a record year in profitability with net profit of 246 million TL.



Economic Performance

Highlights from our performance...

Profitability in terms of Çimsa in 2016 has increased compared to the previous year and it has been a record year in profitability with net profit of 246 million TL. This is the main reason for reaching the hold, cement sales amount exceeding 6 million tons and the ready mixed concrete segment showing a growth of over 20% compared to the previous year and pouring concrete close to 3 million m³.

Continuing its consistent sales trend, the company also saw the positive impact of falling petcoke prices in its financial statements. Used by the company as a primary fuel during clinker production, petcoke prices have fallen in USD terms by 25% compared to the previous year. Meanwhile electric purchases, one of the important factors of cost, are tracked weekly by the Energy Committee and the most suitable purchase option is determined by assessing all purchase options. Another important cost factor, raw material costs are determined by considering the most suitable raw material mines for production.

The company experienced a rise in its financial liabilities in 2016. The financial liabilities rose from 377 million TL to 786 million TL compared to the previous year. The main reason for this increase was the capacity increasing investments in Afyon and Eskişehir. The company uses the best rates in the market for these liabilities.



Görsel altı: Kayseri Plant
Rifat Uslu - Centralized Control Operator
Mustafa Paksoy - Centralized Control Operator

Operating Capital Management in Çimsa

The business capital is crucial so that an operator can expand business volume, reduce risk, avoid financial difficulties in extraordinary situations, and perform their business profitably and efficiently. Missing or over-capitalized businesses have an adverse effect on the profitability and efficiency of businesses, regardless of the type of financing.

Çimsa is aware of the vital importance of business capital management.

The Credit Risk Committee meeting held at Çimsa on a monthly basis at the level of General Manager ensures that the Company's trade receivables are tracked separately for each customer and managed with minimum risk.

With the contribution of the effective management implemented, in 2016, Çimsa's receivables, which became doubtful in total trade receivables, remained at a low level and remained below 1%.

One of the most important headings of the cost items of the company is energy purchases. The energy supply is handled by the Energy Committee meeting, which is attended by the General Manager at monthly level, and electricity and fuel are supplied at the most suitable prices. With the contribution of this proactive method of energy supply, Çimsa's commercial debt payment days, which were 70 days in 2015, were 94 days in 2016.

The company considers inventory management, which is another component of operating capital, at monthly meetings. Clinker stock levels, which constitute the largest item in inventory, are analyzed at clinker balance meetings and the planning of the next year is realized.

Thanks to effective management of the operating capital, Çimsa has managed to balance the ratio of operating capital / net sales below sector average and at 20%.

Economic Performance

Treasury Policy

Çimsa makes borrowing and deposits decisions based on cash flow projections of at least 9 months and up to 12 months. Çimsa, in the preparation of cash flow projection, closely watches the following assumptions and internalizes them in its decisions

- Macroeconomic assumptions,
- Sales and production quantity estimates revised at the beginning of each month,
- Sales price and maturity day estimates revised at the beginning of each month,
- Purchase price and maturity estimates,
- Investment expenditure assumptions,
- The main assumptions that will affect the results of operations from other segments that are deemed necessary.

On the other hand, the Company's main borrowing and deposit policy can be revised throughout the year by considering operating results, cash flow expectations and possible developments in financial markets.

Treasury transactions are reported at Board meetings held every 2 months.

Çimsa's treasury management also includes the following hedging policies:

- Balance sheet and currency translation differences
- Cash flow hedging policy
- Balance sheet receivable / debt positions

Size of Assets (Million TL)



Shareholder's Equity (Million TL)



Net Sales (Million TL)



Consolidated Net Profit (Million TL)



Cement Production (Million ton)



Clinker Production (Million ton)





Thanks to effective management of the operating capital, Çimsa has managed to balance the ratio of operating capital / net sales below sector average and at 20%.

2016 Achievements and Awards

Çimsa's Pride and Joy: National and International Awards

Çimsa has accomplished many things in 45 years by creating more and more added value for its stakeholders, the cement sector and the Turkish economy. This success has been awarded many times across Turkey and abroad.

The awards given to Çimsa in 2016 are as summarized below.

- Çimsa was awarded at the “15th Respect for the Human Being” Awards organized by Kariyer.net for the second time. The company received this award for having met criteria such as having at least 20 thousand applicants, applicant feedback period being less than 21 days, applicant-specific reply rate being at least 99%.
- Always improving its corporate standards in the Occupational Health and Safety field, Çimsa won the first place in the traditionally held “Cement Sector OHS Performance Awards” organized by the Cement Industry Employers’ Association (ÇEİS) for its successful performance at the Kayseri Plant.
- Acting with the slogan “Occupational Safety First”, Çimsa came first place in the “3rd Blue Helmet Occupational Safety

Competition” in 2015 organized once every three years by the Turkish Ready Mixed Concrete Association with Silifke Ready-Mixed Concrete Facility, and came second with Çukurhisar Ready-Mixed Concrete Facility.

- Çimsa won the success award in the “HR Projects That Make a Difference” category organized by Turkey Association of People Management (PERYÖN). Çimsa was selected from among 31 companies at the end of a 6-month evaluation period with its innovative and creative project applications designed for the development of its employees.
- Continuing its rise on the İstanbul Chamber of Industry’s (İSO) “The largest 500 Industrial Companies of Turkey” list, Çimsa moved up by 6 points and came 78th on the list. With this success Çimsa became one of the two cement companies in the first 100 list.
- Based on the Climate Change Report results prepared that are disclosed under the sponsorship of Çimsa, Çimsa was awarded the “CDP Turkey 2016 Climate Leader” for its activities in climate change and was placed in the A-category. Çimsa is the first company to win this award in the cement sector in Turkey.

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2016 Investments

Investments

2016 was a record-breaking year for Çimsa in terms of investments. A total of 195 million USD worth of investments were done on renovation, maintenance, modernization and capacity increases in this year of which 11 million USD was spent on sustainability, environmental and occupational health and safety.

Çimsa continued its investments in 2016 to reinforce its position in the cement sector, to keep growth sustainable, to find quick solutions to the differing needs of customers and employees in the changing global conditions with products and services developed with business partners.

Afyon and Eskişehir investments

Çimsa envisions to move its Afyon Plant, which started its operations in 2012, to a new production facility equipped with modern technologies.

A new plant is in the process of being built with a 165 million USD investment in the outskirts of Afyon on an existing raw material mine belonging to Çimsa in the village of Halımoru. When the Afyon Plant has been completed, it will be producing cement at a capacity of 1.5 million tons clinker/year.

The second biggest investment of 2015 was announced at the Eskişehir Plant. With the modification project worth 55 million USD, the 1st production line of the Eskişehir Plant, which currently only produces gray clinker, is expected to be transformed into a line that produces both gray and white clinkers. Investment activities of this project started in the last quarter of 2015 and it is planned to be finalized in the first half of 2017.

In 2016 Çimsa spent 13.6 million USD on the Niğde Plant capacity increase investment and 32.9 million USD on the Eskişehir Plant gray-white transformation investment.

Other investments completed at Çimsa plants in 2016 were:

- Niğde energy transfer and switchyard system investment
- Mersin furnace feeding, dust recovery, clinker pre-blending stockpile investments
- Plant occupational health and safety, environmental investments
- Plant renovation/maintenance and modernization investments

Çimsa also continued its investment spends in the ready-mixed concrete facilities segment in 2016. 930,000 USD was spent on 4 facilities in Eskişehir, Kayseri and Afyon as well as investments in the environmental and occupational health and safety fields.

195
Million US dollar investment expenditure



Afyon Plant



Eskişehir Plant

KÖPRÜLERLE ŞEHİRLERİ, YOLLARLA İNSANLARI BİRLEŞTİRİYORUZ.





R&D and Innovation

R&D and Innovation

Cement and concrete have an important role in circular economy. R&D is important for the development of products and production processes that contribute to a sustainable lifestyle.

As a leading participant of its sector, Çimsa considers contributing to sustainability in the context of product development as a responsibility.

Çimsa Cement Research and Application Center

R&D is an indispensable link of the added value production cycle of Çimsa. Having the first and currently only cement research and application center in Turkey, Çimsa is one of the few producers in the world in the fields of special cement and R&D. Our center became the first official R&D Center of the Turkish cement sector certified by the Ministry of Science, Industry & Technology as of 1 March 2017; it also became the 6th R&D center of Sabancı Holding.

Highly informed and skilled on cement and its areas of use, Çimsa Cement Research and Application Center has three fundamental functions:

- Preparing highly profitable new product development programs which will make a difference in the cement sector and end users and meet customer expectations properly,
- Providing lab support to the customers using Çimsa cement products both at home and abroad with the sales support service and developing customer productions by visiting their facilities,
- Creating added value for the development of the market and informing users about Çimsa products; developing new usage areas.

The prioritized goal of Çimsa Cement Research and Application Center is to develop special products with high profitability to add to its portfolio. Self-cleaning White Cement and Antibacterial White Cement, which is a first in the world, are among the successful products of the Center.

Supporting customers to produce special solutions while using Çimsa products is the second fundamental goal of the Cement Research and Application Center in the context of innovation.



Mersin Plant
Murat Onuş - Laborant



Mersin Plant
Ömer Şimşek - Laborant

- **In 2016;**

- International patent applications for Sulfoaluminate Cement Containing Mayenite Phase and Quick Set Hydraulic Binder discoveries were made. With these applications the goal is the sole production of calcium sulfoaluminate cement by Çimsa in Turkey and its worldwide patented sales.
- Çimsa uses the consulting services of the Middle East Technical University, Civil Engineering Department. Civil Engineering Department Head İsmail Özgür Yaman provides literature and lab assistance for the work on special products.
- A Cement Technologies and Applications course is started at Sabancı University. In this context Çimsa Cement Research and Application Center employees share information on the innovations and applications in the cement industry by joining the courses.

- Çimsa supports university students in their graduate theses by providing them with free raw materials to work with. Requests coming from the universities across the country were answered where exchange of information took place.
- Expert professors in the field of construction and materials from the prominent universities in Turkey were hosted by the Çimsa Cement Research and Application Center in June where they exchanged information on special products and production systematic. Joint study topics were identified in the same context and graduate and post-graduate students were channeled towards these subjects. Çimsa added the Dry-Mix Newsletters bulletin addressed to foreign markets in addition to its domestic publications on building chemicals and precast technique bulletins.

Expert professors in the field of construction and materials from the prominent universities in Turkey were hosted by the Çimsa Cement Research and Application Center in June.



R&D and Innovation

The Name of the Formula

“The Name of the Formula” offers a structure focusing on the needs of each sector, unique to each segment with more flexible recipes instead of product portfolios consisting of only one product for its business partners. The values that make Çimsa “The Name of the Formula” are Performance, Diversity, 7/24 Solution, R&D and Sustainability.

With “The Name of the Formula”, a first in the sector, a visual language was created which reflects Çimsa’s innovative approach. This visual language stands out in all media forms from cement bags to brochures, from the website to social media and presents solutions in a short and succinct way.

Under “The Name of the Formula” concept, Çimsa groups white cement and special products under three main product families: Çimsa Super White, Çimsa Aluminates, Çimsa White Concrete

New products have been developed under these product families, which offer tailor-made solutions. The first product family of Çimsa belonging to the Aluminates family is RECIPRO, which was developed specifically for building chemicals applications. The second product family of the same family is REFRO, which was specifically offered to refractory applications. RESISTO series is the third cement product belonging to the Çimsa Aluminates family and is utilized in technical concrete applications. The fourth and the last series belonging to the Çimsa Aluminates family is REGO, which was specifically developed for building chemicals applications where high durability is required..

ÇİMSA

FORMÜLÜN ADI

Under “The Name of the Formula” concept, Çimsa groups white cement and special products under three main product families:

Çimsa Super White,
Çimsa Aluminates
Çimsa White Concrete

The first series developed by Çimsa specifically for building chemicals applications under the Super White family is MOTIVA. CRAFTA is another cement product that belongs to the Super White family and used in mortar applications. Innovative cement product portfolio of Çimsa also includes such brand names as NONA, the cement which Cleans Itself and The Air, and CEMENTHA, the Anti-Bacterial Cement.

Çimsa also brought an innovative concept to white cement based concrete applications. With this concept, Çimsa White Concrete solutions are much easier from the production of concrete to its moulding, application and post-maintenance services; it offers more aesthetical and holistic full solutions from the ground to the exterior with many various options. For more information you can visit formulunadi.com website.





Customer satisfaction and product responsibility

One of the foundations of Çimsa's sustainable success is customer satisfaction. Çimsa considers its customers its main focus and continues its activities with a management approach which builds upon properly and promptly meeting the changing and evolving expectations and needs in the markets where its products are offered.

Çimsa is a producer which has adopted a close and sincere dialogue with its customers. In this context the company strives to ensure and improve customer satisfaction with activities such as periodical visits, master activities, technical assistance pre and post sales, Building Chemicals Seminar, technical bulletins, shared R&D activities, Customer Support Unit and social activities.

Customer Satisfaction Survey

Çimsa measures its customer satisfaction levels with the help of independent institutions biennially, analyzes its results by segment and develops and implements appropriate actions. Customer engagement was measured as 75% in 2013, while it rose to 83% in 2015. The next periodical measurement will be carried out in 2017.

Product responsibility of Çimsa

The foundation of Çimsa's product responsibility is formed in line with the sustainability approach and the quality policy with the below principles:

- compliance with the local and international standards,
- to create high reliability and quality production and to provide customers with timely delivery.

It is an indispensable element of product responsibility to provide detailed information on the products for the customers and end users who are directly exposed to the effects of the products.

Çimsa conducts product information activities and trainings aimed at customers and end users.

All Çimsa products contain a Material Safety Information Form (MSDS) prepared in accordance with the norms laid out in regulations and it is shared with each customer.

Tags containing information on products are located on the packaging of bagged products.

During the reporting period there were no illegal situations regarding the labeling of Çimsa products, there were no noncompliance issues with the regulations regarding the marketing conditions and there were no penalty or sanctions enforced.

The confidentiality of customer information is another responsibility of Çimsa towards its customers. No complaints



%83

2015 yılı müşteri bağlılığı oranı

were received regarding the privacy violation of customer information during the reporting period.

2015 and 2016 customer technical assistance activities

Çimsa offers high added value technical assistance to its domestic and foreign customers at the Cement Research and Application Center. The focus of these services is to maintain customer satisfaction in the post-sales process and improve customer engagement.

R&D and Innovation

Çimsa plans to turn this successful organization into a traditional event by coming together with its stakeholders every year.



100%

Rate of complaint resolution **about quality**

In 2015;

- More than 100 customer visits were made in 7 regions in Turkey (building chemicals and precast segments).
- Technical assistance and market development activities were carried out at the global level in the USA, Italy, Dubai, Germany, Austria, France, Russia and Brazil.
- 100% solution and reporting was achieved in customer complaints regarding quality; regular meetings were held with the Quality and Production Departments.
- Shared activities were carried out with 68 different customers.
- More than 400 customers received remote technical assistance.

In 2016;

- More than 160 customers were visited on building chemicals, precast and refractor subjects.
- Shared activities were carried out with 40 different customers.
- Customer trials and reporting of the new white cement by segment were made.
- Support activities were held for the technical documents and application brochures of the newly developed products.
- 100% solution and reporting was achieved in customer complaints regarding quality; regular meetings were held with the Production Departments.

Çimsa the 2nd Building Chemicals Seminar

The 2nd Building Chemicals Seminar was held on 8 September 2016 in order to discuss the contribution of white cement and calcium aluminate cement products on the performance of building chemicals applications and to discuss the new application areas with the participation of academics and the R&D teams of different building chemicals producer companies in the sector. The developments in the building chemicals sector and technical applications were discussed in the highly participated seminar hosted by the Sakıp Sabancı Museum.

Prominent figures from the country and abroad were in attendance at the 2nd Building Chemicals Seminar, where among the important speakers were Prof. Dr. İsmail Özgür Yaman and Prof. Dr. Mustafa Tokyay from the Middle East Technical University, Doç.Dr. Oğuzhan Çopuroğlu from Delft University and Prof. Dr. Johann Plank from Munich Technical University.

After the seminar the participants had the opportunity to visit the exhibition "MACK, Only Light and Color" at the Sakıp Sabancı Museum which contained artwork by Heinz Mack, who was one of the founders of the avant-garde art network ZERO in the mid-20th century.

Çimsa plans to turn this successful organization into a traditional event by coming together with its stakeholders every year.

EPD certificate for Çimsa's environmental products

The fact that the use of environmental products in construction increases the certification performance in the process of obtaining green building certificates like LEEDS and BREAM and especially the endorsement of Environmental Product Declarations (EPD) certified product use in the U.S. and EU markets, which constitute 75-80% of Çimsa's special cement product users, is an important motivating factor for Çimsa to certify its products with EPD. In this context Çimsa carried out the EPD activities of super white cement and calcium aluminate cement products in 2015 in line with its strategy of increasing the added value of Çimsa products, improving their usage areas and decreasing the environmental impacts in the product life cycle. At the end of the project, İsideç40 became the first EPD certified calcium aluminate cement and Çimsa Super White became the 2nd EPD certified white cement in the world.

Another goal of Çimsa product development activities is to decrease the environmental impact of products in order to create raw materials and solutions for the production of green buildings. Çimsa became an important brand both in the domestic and foreign markets with its environmental product activities. During the reporting period, Çimsa proudly represented us as the first Turkish company and the second company in Europe to be published in the cement class at the Eco-Platform established by Construction Europe.

Çimsa Cement Research and Application Center attended below conferences in 2015-2016:

- National Concrete Conference (16-18.03.2015) Turkey
- Nuremberg Dry-Mix Conference (20.04.2015) Germany
- Çimsa Construction Chemicals Activity (10.09.2015) Turkey
- Unitecr 2015 (15.09.2015) Germany
- Nanotechnology Cluster Workshop (15-16.10.2015) Turkey
- Sao Paulo-Dry-Mix Conference (06.11.2015) Brazil
- Philadelphia Drymix Conference (03.05.2016) USA
- İstanbul Dry-Mix Conference (20.09.2016) Turkey
- Colloqueum on Refractories (27-30.09.2016) Germany
- International Construction Chemicals Conference (10-12.10.2016) Germany
- SBE International (13.10.2016) Turkey
- Tiran Drymix Conference (18-19.10.2016) Albania
- Çimsa Building Chemicals Activity (08.09.2016) Turkey

| | 2015 | 2016 |
|---|------|------|
| Number of R&D Study | 8 | 9 |
| Patent applications during reporting period | 2 | 2 |

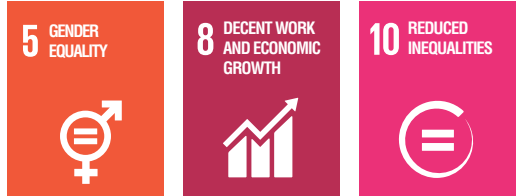
Çimsa Cement Research and Application Center national and international collaborations

- In the joint project developed with Organic Chemistry R&D team, activities were held regarding the development of polymers to be used in cement and cement products with joint projects in order to support local companies and to increase the benefits offered to customers.
- Collaboration activities with Kordsa are ongoing in order to create areas of use for locally produced fiber in cement systems.
- Joint projects are held with the professors, graduate and PhD students at METU Civil Engineering Department under these projects raw materials and technical information assistance are provided.
- Joint contribution development activities are carried out with the faculty members at Sabancı University, Materials Science Department where raw materials and technical information assistance are provided for theses of students.
- Raw materials and technical information assistance are provided for theses taking place at Ege University.
- Collaboration with Weber and activities aiming to increase the performance in Çimsa cement use in building chemical products continue.
- Efforts to increase the performance of Çimsa products that are used in building chemical products produced by Kalekim, continue.
- .

2016 investments, R&D and innovation

Goals

- Approved by the Ministry of Science, **Industry and Technology as an official R&D facility** on 1 March 2017, our center has the following goals;
- To institutionalize the basic information on clinker, cement and its hydrates by integrating in all processes of Çimsa to ensure production of competitive and innovative products, maintaining continuity of quality, Competing in **global markets by developing cements which have never been produced** in the Turkish cement sector, Conducting joint projects, applications with Çimsa stakeholders (universities, non-governmental organizations and customers), developing products
- **Taking part in complaint processes regarding Çimsa products and supporting constant improvement,**
- **Institutionalizing the information produced** at the center and **propagating it across Çimsa**



Corporate Development and Human Resources

The Corporate Development and Human Resources vision of Çimsa is: “to create a high performance culture”, while its mission is; “to ensure organizational change and development”.

A happy, safe and motivating work environment for all employees

With the vision of creating a high performance culture, Çimsa aims to be a fair and egalitarian workplace where the employee rights are protected, where their talents are honed, where there is no discrimination, where equal opportunities are provided to both men and women and where the best standards are practiced in terms of occupational health and safety.

Increasing the leadership qualities, knowledge and skill levels of employees at all levels; regularly measuring the organizational climate and establishing the organizational and human resources infrastructure which support company strategies lie at the core of Çimsa’s human resources practices.

Organizational climate workshops and year-end open sharing meetings which are being held since 2007 have been crucial resources where information on organizational needs and employee expectations were gathered. Human Resources regulations and procedures are reviewed as a result of the assessments made in this light and necessary actions are taken to improve processes.

Training and development programs which increase the competencies of human resources

Çimsa runs several internal training and education programs in order to enhance and increase the capabilities and skills of its employees. These programs are structured according to the needs of employees within the framework of predetermined principles and policies.

Training and development programs for all employees are realized within Çimsa; development programs tailored specially for Çimsa are designed and development programs aimed at high potential employees organized by Sabancı Holding are regularly implemented every year. Employees are also offered the opportunity to benefit from management competency development programs, occupational health and safety trainings, foreign languages, personal development and career advancement trainings as well as professional knowledge development.

58,361

person*hour total training

The competence and career development approach that Çimsa provides to its employees is evaluated in three categories:



With leadership sponsoring, employees are given opportunities (training opportunities, assignment in different functions, rotation, etc.) to improve themselves. Human Resources Management is working on the preparation and organization of necessary training and development programs, preparation of rotation facilities, and the creation of tools for developing competencies. The right use of the opportunities offered by the Management Support and Human Resources Management is in direct relation to the Employee Initiative.

Keeping in mind the fact that sustainability is possible through improvement, Çimsa continued its online trainings for all white collar employees in 2016 with the slogan “More improvement, education for improvement”

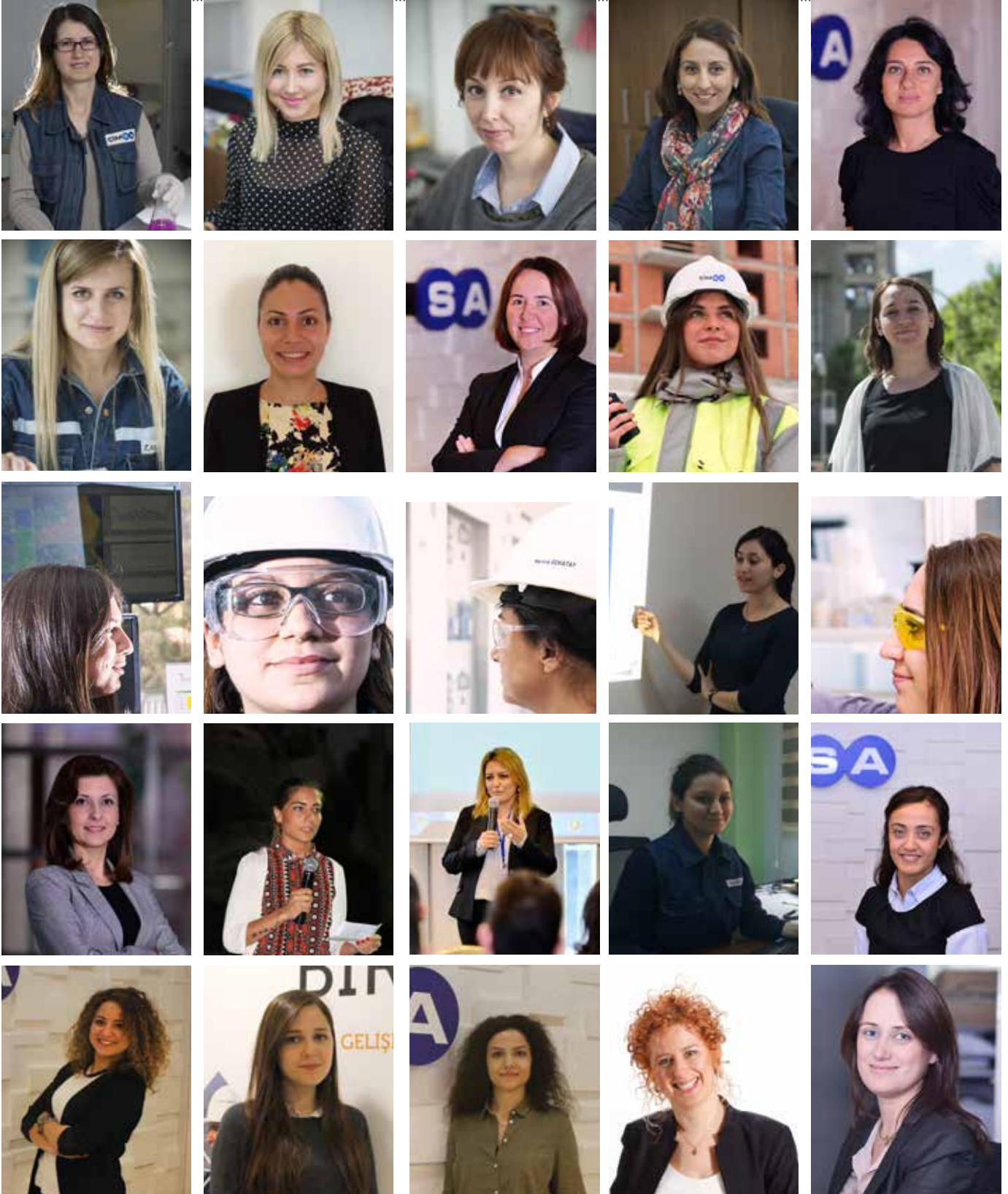
In 2016;

- White collar employees 26,017 person*hour
- Blue collar employees 32,344 person*hour
- Total 58,361 person*hour

training was provided.

While the total training offered in the area of occupational health and safety was 37,671 person*hour, OHS training per person was 33 hours.

WE PAVE THE WAY THAT BRIDGES TRAINING WITH DEVELOPMENT AND OUR EMPLOYEES WITH EQUITY.



Corporate Development and Human Resources



Corporate Development and Human Resources Team

Main training programs carried out throughout the year in the company are listed below:

Çimsa Management Path Development Program

With the “Çimsa Management Path Development Program” which started in 2014 in the context of management competencies development programs, employees working at Çimsa as mid-level managers are expected to gain awareness about their strengths and improve their behavioral, managerial and communication skills and leadership qualities.

Lasting for 6 months, the program consists of six different training modules each building up on the other, assessment applications aimed at identifying the strengths of participants and personal feedback activities. In 2016 a total of 99 employees participated with 5 training groups in the development program.

Çimsa Career Kitchen

Trainings were developed in collaboration with Sabanci University, Executive Development Unit and published with the concept called “Çimsa Career Kitchen”, the first of these trainings took place in December 2016. Having a rich content such as human management processes, motivation and engagement, deeper dimension in communication, professional image, competitive perspective, strategic thinking model, business law processes and financial value focus, the trainings are planned to continue in 2017.

Development Program

In 2016, a total of 99 employees participated in the development program, with 5 training groups.

Çimsa Career Kitchen Training Topics:

- Art of Management
- Handbook of Communication
- Being Holistic At Work
- Innovative Çimsa
- Visionary Leadership

Performance Coaching

A “Performance Coaching” activity was held in 2016 which aimed to provide employees with effective coaching skills for enabling the efficient management of the human factor along with the key performance indicators (KPI). The project consists of processes such as one-to-one coaching exercises, observation and feedback, reverse coaching and peer coaching. The program including “Training and the Diary of the Coach” lasts for 6 months.

New Çimsa Employee Development Program

New Graduate Recruiting Project was realized in December 2015 in order to employ human resources that match Çimsa’s growth targets. Close to 8,000 applications were made during the project and 14 graduates from prominent universities in Turkey started working at different locations. “New Çimsa Employee Development Program” was initiated in January 2016 for these 14 new Çimsa employees who were hired in 2015.

The aim of this program which was put into force to ensure high and sustainable workforce efficiency is to create an awareness in new university graduates who have started working at Çimsa about their knowledge and skills and to ensure they specialize in areas where they can be the most beneficial to themselves, to the company and their country.

New Çimsa Employee Development Program Training Topics:

- Cement
- Ready-Mixed Concrete
- Financial Affairs & Finance
- Sales & Marketing
- Supply Chain Management and Purchasing
- Çimsa Management Practices
- Personal Development



New Çimsa Employee Development Program

The Pole Star Program

Çimsa initiated “The Pole Star” program in order to support the new hires in their first weeks. The program offers an effective guidance service to the new starters in the company to quickly adapt to the company culture and their new jobs, to access the information they need in an accurate and effective way and to get to know the company organization well. Another aspect of the Pole Star program is that it makes it possible for the volunteers among the company employees to provide support in all areas to the new starters during the orientation period.

The Process Improvement Engineers Development Program

After new graduate recruitment, the engineers who will be trained on technical subjects like cement production, maintenance, quality and environment will go through the New Çimsa Employee Program and “The Process Improvement Engineers Development Program” to learn about the whole cement process. The whole process starting from the factory input of raw materials to the output of cement as well as detailed environmental, quality and OHS trainings are taught in these trainings that last for 1 year.

The Process Improvement Engineers Development Program realized total of 4,760 person*hour trainings in the 2014-2015 period with 10 new graduates while in 2016, total of 2,142 person*hour and 9 new graduates are assigned as Cement Engineers.

Process Improvement Engineers Development Program Training Topics:

- Occupational Health, Occupational Safety
- Environmental and Waste Management
- Raw materials
- Quality
- Maintenance Planning
- Operation
- Sales

Global Apprenticeship Network (GAN)

Çimsa became a member of the Global Apprenticeship Network (GAN) in 2015. GAN was established in 2013 by the Business and Industry Advisory Committee (BIAC) under the International Organization of Employers (IOE) and the Organization for Economic Cooperation and Development (OECD) with the support of the International Labor Organization (ILO). GAN is an institution which encourages participation of youth in the business world to increase their skills and employment especially with its on-the-job training opportunities.

While implementing the internship programs, which are among the GAN commitments, Çimsa aims to train qualified workforce inside the company, to support the local employment, to provide sectoral professional experience and work experience and to increase the employment rate in this field.

Designed for the course participants and organized in collaboration with the Turkish Labor Agency (İŞKUR), On-the-Job Training Program took place in 2016 with the participation of 119 people where they had the opportunity to experience business and production processes first hand and gained on-the-job experience.

Within this program, job opportunities are offered to candidates who have had professional training, who are certified and competent but who have had no experience. 9 of 17 candidates who participated in the On-the-Job Training program were hired in 2016.

Corporate Development and Human Resources

The Blue Collar Fundamental Competency Project

In 2015 "The Blue Collar Fundamental Competency" project was initiated in order to increase field efficiency and the competencies of blue collar employees. The current knowledge and skill levels of employees were determined with the aim of increasing their technical knowledge and skills by creating blue collar skill matrices. The topics of the Blue Collar Fundamental Competency training were identified as priority status, target audience, training management, training tool and method of measure. 886 person*hour BC competency development trainings were held in 2016.

Personal Performance Management System

White collar employees are evaluated within the framework of individual performance management system at Çimsa. Every year end, whether the specified goals have been achieved or not is determined and the results obtained are reflected in the individual development plans.

Every year Organizational Success Plans are prepared for employees at engineer, specialist and above levels and succession plans are created. Personal development plans are prepared and tracked for other employees. A performance assessment system is also applied to blue collar employees. All white collar and blue collar Çimsa employees were subject to performance assessment in the 2016 end reporting period where they received feedback.

Human rights management, business ethics and coordination in human resources processes

Considering the preservation and glorification of human rights in the work environment as part of the business culture, Çimsa endorses the provisions of UN Global Compact which it signed, the relevant ILO declarations and the Universal Declaration of Human Rights. Human rights management, business ethics and human resource processes are carried out in a coordinated way in the company.



Çimsa Management Path

A total of 564.5 person*hour training was conducted with the participation of 1,129 employees during the reporting period in order to increase the knowledge of company employees on human rights topics. In human resource processes and applications at Çimsa, employee performance is measured under equal conditions and evaluated fairly from an objective and systematic perspective. Equal opportunities are offered to all employees regardless of age, gender, race, language, religion, ethnic background or other personal qualities with no discriminatory treatment.

All topics on discrimination and employee rights are managed by the Corporate Development and Human Resources Unit, SA-Ethics Rule Counselor and the Committee of Discipline. Çimsa does not allow practices like forceful and mandatory working or child labor in its operations and expects its suppliers to also adhere to these principles in their operations. Working conditions are clearly formulated in the service agreements and specifications signed with the subcontractors in order to guarantee alignment on this subject and suppliers are audited with visits. During the reporting period current and all new suppliers were audited based on workforce and human rights criteria but no negative cases were encountered.

Giving importance to healthy relations between the company management and employees and the continuance of this relationship around a healthy structure, Çimsa makes sure its employees can use their collective labor agreement and freedom of association rights. All 644 blue collar Çimsa employees are in the scope of collective agreement. Unionization membership rate among all employees is 57%. Relationships based on trust and dialogue are established with the unions in order to maintain peace at work and union issues are managed effectively without disputes.

Observing the "Equality at Work" principle in all its processes, Çimsa offers equal opportunities to its male and female employees. Total bonus, compensation and benefits packages of male and female employees working for equal positions at the same levels were structured based on the Equality at Work principle. Personal Performance Management assessments are done at equal conditions for male and female employees and are reflected at equal levels in business results.

Training Studies

A total of 564.5 person*hour training was conducted with the participation of 1,129 employees during the reporting period in order to increase the knowledge levels of Çimsa employees on human rights topics.



Corporate Development and Human Resources

Çimsa encourages the employment of women in business and supports female participation in management. 10 female employees were hired in the company in 2016. The proportion of female employees among the Çimsa Executive Board members is 38%.

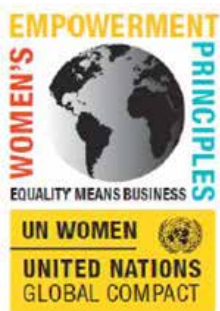
Çimsa believes that its suppliers and subcontractors should also increase the employment of women in their operations. In this context, provisions regarding Equality at Work commitments were also included in the supplier and subcontractor service purchase agreements since 2014.

Çimsa is proud to be a signatory of Women Empowerment Principles – WEPs.

Çimsa joined the “Global Compact Turkey Women Empowerment Work Group” in 2015 in order to encourage the private sector's social gender equality initiatives through inter-company learning processes. As of March 2016 Çimsa signed the Women Empowerment Principles (WEPs) published by the UN Global Compact and committed to develop and implement company policies which will improve gender equality. These principles offer rules and suggestions which will act as a guidance on the empowerment of women in the workplace, economy and society.

Çimsa became one of the 53 Turkish companies signed the WEPs where more than 1,100 companies joined across the world. Despite operating in a sector with few female employees where there are limits to the employment of women, Çimsa sets an example for the industrial institutions and other sectors where the majority of employees are men with its supportive practices. Çimsa carries out activities that contribute to increasing the awareness on gender equality in its sector.

Çimsa, employs more female employees than the sector distribution according to the data from the Ministry of Labor and Social Security, Labor Inspection Board, Occupational Health and Safety Inspection Project at Cement Plants.



WEPs

Çimsa became one of the 53 Turkish companies which signed the WEPs where more than 1,100 companies joined across the world.



Kayseri Plant
Hicran Ekici - Administrative Affairs Supervisor
Ramazan İmir - Maintenance Technic Specialist

Efficient communication methods among employees

Employee Representative Meetings are held regularly at Çimsa in order to reach employees in all locations and to give them the opportunity to share their views and suggestions with the management.

“General Manager-Employee Meeting Days” are organized in all plants of Çimsa for employees from all functions to come together with the Company General Manager. “Face to Face Conversation Meetings” are also held at least twice a year which brings Human Resources and plant employees together.

The structure of human resources at plants was changed and replaced with a “Field Human Resources” model. With the Field Human Resources model, regular meetings are held every week with the employees in their working environments and their questions are answered. Meanwhile this model is also used as a tool to get together with the employees in organizations like meetings, trainings and seminars.

Additionally “Pigeon Post”, “Çimsa Family Magazine”, “Çimsapoint” intranet pages and communication boards are used to inform employees on the developments about the company and weekly “HR Post” bulletins are published. General information and notifications within the company are done through Outlook from the HR Post address.

Flexible Benefits Program, which was put into effect in 2015, aimed to address the changing needs of employees based on various working conditions while at the same time moving away from a traditional approach by offering freedom of selection. This program also continued in 2016.

Learning Organization and 2016 achievements

“Learning Organization Practice Teams” program at Çimsa aims to bring permanent solutions to problems with a holistic perspective while strengthening team collaboration and team spirit. Teams consisting of employees from different levels work on realizing processes that will improve business processes during Learning Organization activities. The teams carry out their activities along the principles described in the Five Disciplines philosophy.

The highlights of the achievements of the teams within the Learning Organization in 2016 are presented below.



Afyon SİNADA: The team vision will meet the needs and expectations of the customers in the markets that the new plant will address; As a determination of at least four cement types that are profitable, competitive, environmentally friendly and sustainable. As a result of these studies, five cement types were determined to meet customer needs and expectations and reached the target.

Kayseri YENİ DÜNYAĞ: As a result of the project which aims to prevent oil leaks and reduce oil consumption by 10%, the consumption of oil is reduced by 23% and the target is exceeded. The maintenance periods of all oil-operated equipment have been changed and the operating instructions have been updated.

Corporate Development and Human Resource

95% Savings

An air map of Niğde Plant was established and detected air leaks were blocked by 95% after the field works.

Mersin SU DOSTLARI: As a result of the project, which aims to reduce the water usage, the use of well water and municipal water has been saved at a high rate compared to the year 2015.

Niğde DELİCE: The project of the team aimed to prevent air leaks. Within the scope of the studies, an air map of Niğde Plant was established and detected air leaks were blocked by 95% after the field works.

Eskişehir DOLDURBAS: As a result of the project initiated to increase customer satisfaction, the waiting period of the bulk cement vehicles with an average standby time of 38 minutes in 2015 has been reduced to 23 minutes, and the waiting period of the bagged cement vehicles with an average standby time of 58 minutes in 2015 has been reduced to 55 minutes.

Five Disciplines Philosophy

- **Shared Vision:** A shared vision is closing ranks for an objective.
- **Team Learning:** Achieving more than individual results as a team by widening social communication networks, by practicing skills like elaborate speaking, seeing the big picture and developing common goals and accepting personal differences as factors which enrich and strengthen the team.
- **Systems Thinking:** Being able to see the big picture, focusing on the root causes and actions with high leverage effect instead of quick solutions with substantial side effects.
- **Mental Models:** Being able to see people's view of life, their assumptions and beliefs and their effects on decisions and actions and being able to talk about them.
- **Personal Competence:** Having a personal vision and to constantly improve oneself in order to achieve it.



Awards won in the field of Human Resources

Çimsa offers equal opportunities to its male and female employees in the framework of Equality at Work principle. The company won the first prize at Gender Equality in Society contest in 2015 from the Republic of Turkey, Ministry of Labor and Social Security, and second prize in the Equality at Work category at Sabancı Holding Golden Collar prizes as a result of its activities held with this approach.

Organized by Kariyer.net, the most prestigious Respect For the Human Being award in Turkey given to companies which respond to all candidate applications, which create the most employment and which receive the most candidate applications was given to Çimsa in 2016.

Çimsa won the first prize at the "Human Management" awards in the "HR Project Which Make a Difference" category in 2016 organized by the first non-governmental organization established in the field of People Management in Turkey, the People Management Association of Turkey (PERYÖN). The purpose of this award is to promote innovative/creative and successful practices in the field of human management and to make exemplary applications known in the sector.

Corporate Development and Human Resources

Goals

Among the Human Resources goals laid out within the Çimsa strategies are “Establishing an innovative, dynamic and institutional organizational infrastructure to support company strategies and for improvement and change management”;

- Providing all employees with training and development opportunities, training plans to be followed with a minimum 90% observance,
- Full participation of employees in information meetings on sustainability priorities, targets and applications,
- Continuation of equal opportunity practices at recruiting and promotions,
- Increasing the rate of female employees in management to 50%,
- Regular tracking of the Idea Factory Program and biannual reporting in order to constantly improve business processes,
- Continuation of management of procedural practices fairly and with an equal opportunity approach,
- Employee representative meetings to be held at least 4 times a year,
- Tracking of weekly field meetings, taking actions to increase the effectiveness of the organizational structure,
- New development models to be adopted by Çimsa

| Total Workforce (person) | 2015 | | | 2016 | | |
|-----------------------------|------------|--------------|--------------|------------|--------------|--------------|
| | Female | Male | Total | Female | Male | Total |
| Direct Placement | 55 | 1,037 | 1,092 | 58 | 1,071 | 1,129 |
| Contractor Company Employee | 50 | 1,142 | 1,192 | 60 | 1,239 | 1,299 |
| Total | 105 | 2,179 | 2,284 | 118 | 2,310 | 2,428 |

| Total Workforce As Per Category (person) | 2015 | | | 2016 | | |
|--|-----------|--------------|--------------|-----------|--------------|--------------|
| | Female | Male | Total | Female | Male | Total |
| Blue Collar | - | 624 | 624 | - | 644 | 644 |
| White Collar | 55 | 413 | 468 | 58 | 427 | 485 |
| Total | 55 | 1,037 | 1,092 | 58 | 1,071 | 1,129 |

| Total Workforce by Education (person) | 2015 | 2016 |
|---------------------------------------|------|------|
| Primary School | 90 | 83 |
| High School | 537 | 558 |
| University Degree and Above | 465 | 488 |

| Total Workforce by Age Group (person) | 2015 | 2016 |
|---------------------------------------|------|------|
| 18-25 | 46 | 63 |
| 26-35 | 472 | 480 |
| 36-45 | 428 | 447 |
| 46 and above | 146 | 139 |



Male workers
1.071



Female workers
58



Rate of women
working in top
management
37%

3 GOOD HEALTH
AND WELL BEING8 DECENT WORK
AND ECONOMIC
GROWTH

Occupational Health and Safety

Çimsa has acted sensitively in terms of Occupational Health and Safety as it has been in every area for 45 years. Within the company, education and practice studies that raise the awareness of work safety of all units are regularly passed on. It is the Company's primary objective to control the anticipated risks in terms of occupational health and safety and ensure that Çimsa employees return to their homes every day without «experiencing any accidents».

Cement is in very dangerous, ready-mixed concrete is in dangerous business line. Çimsa, closely follows the legal regulations applied in international standards as well as the legal regulations on Occupational Health and Safety No. 6331 issued by the Ministry of Labor and Social Security. In this direction, the safety of the work areas is being carried forward with each passing day and moving towards the goal of “Zero Accident”.

The business health and safety issue has three dimensions: the system, the field and the human. In Çimsa, the OHS system is defined as a company strategy, in which risk identification, supervision and management are important.

OHS Management System, which is developed by identifying proactive development areas has been supported with training, information, and supervision and improvement studies. OHSC Board Meetings are held on a monthly basis in line with the prepared Job Security Training Program.

Cement plants, ready-mixed concrete facilities and vehicles on the road constitute the second dimension of the OHS issue. In the Çimsa fields, risk analyzes are carried out regularly and inspections are carried out in order to eliminate the hazards of potentially damaging and injuring dangers.

The third dimension of the OHS is the “human” that needs to be focused on sensitively. In the cement and ready-mixed concrete sectors, 96% of the accidents are caused by insecure behavior and 4% by insecure situation. It is the collective responsibility of all employees to detect, warn and stop incidents of insecurity that cause accidents. Çimsa aims to make its employees aware of the risks with a human-focused approach and to be cautious at all times. Past practices have provided a change of behavior for workers, their families and the whole community on occupational health and safety.



Kayseri Plant
Burak Gürol - Shipping Officer at Logistics Department

Çimsa, in the field OHS, follows policies to ensure that

- the main employer and subcontractor employees are informed
- the amendments in the regulation are shared with the organization with effective communication,
- OHS metrics are always included in the company and employee goals,
- audit, near-miss report, nonconformity amount values are accepted as key performance indicators,
- OHS is internalized and becomes a corporate culture with regular reporting practices.

The operational responsibility of OHS management is under the supervision of.

All activities aimed at raising awareness on Occupational Health and Safety at Çimsa, all decisions taken and operational responsibility for the management of Occupational Health and Safety are represented at the highest management level in the company.

All Çimsa plants and ready-mixed concrete facilities are OHSAS 18001 Occupational Health and Safety Management System certified. This system is constantly supported through training, information, audit and improvement activities; the structure of OHS committees, assignment of employee representatives, OHS specialists and on-site doctors, internal inspections, risk analyses, fire drills, contingency action plan topics are managed in accordance with legal regulations.

OHS targets and performance results are periodically monitored and are evaluated at OHS committees as part of the agenda. 112 members serve at 7 Çimsa OHS committees, of which 15 are employee representatives. As part of the importance given to Occupational Health and Safety by the company, collective agreements signed with the unions are also made sure to include Occupational Health and Safety topics. Precautionary measures, reporting of illnesses and injuries and occupational safety rules to be followed are regulated in the scope of collective agreements.

112 members

112 members serve at 7 Çimsa OHS committees, of which 15 are employee representatives.



Kayseri Fabrikası
Murat Gürbüz - Occupational Health and Safety Leader

Occupational Health and Safety



Mersin Plant
Müfit Güngör - Centralized Control Operator, Ahmet Canatan - Team Leader

Training programs are constantly developed in order to increase awareness on Occupational Health and Safety.

Çimsa considers protecting the health and ensuring the safety of its most valuable assets, its employees and facility visitors, as one of its most crucial responsibilities. The company also tries to train its employees with the projects, applications and constant training programs that it developed in order to increase awareness in Occupational Health and Safety.

In 2016, Çimsa organized Occupational Health and Safety trainings for company employees (37,517 person*hour) and for subcontractor employees (30,231 person*hour) in order to increase the knowledge and awareness of its employees and subcontractor employees on Occupational Health and Safety, and gave 33 hour per person OHS training.

Çimsa has managed to reduce the frequency rates of injuries to a large extent in all its facilities.

Çimsa aims to reach its goal of "0" injuries by 2020 and aims to keep it sustainable by reducing the total number of injuries by 50% every year. Systematic field inspections were accepted as one of the most important tools of reaching this goal while observing Occupational Health and Safety instructions and reporting all kinds of occupational injuries, risky situations and near-misses were identified as a top priority duty of all employees.

In the meantime annual internal audits, external audits of certification institutions, Sabancı Holding external insurance audits and OHS performance are constantly monitored. Remedial actions targeting the deviations identified as a result of monitoring are immediately taken.

As a result of the hard work, training and precautionary measures taken, Çimsa has managed to decrease the accident frequency rates to a great extent in all its facilities.

As a result of the injury analyses, injuries during the cement production period were found to be caused by hitting, cutting and metal slivers and measures were taken in order to avoid them from happening again. On the other hand traffic injuries stood out during the ready-mixed concrete process. Of the 5,568,144 km travel made on behalf of ready-mixed concrete operations, 16 traffic accidents occurred in 2016, 3 of which included injuries and 1 included fatality. Since the majority of accidents occurred due to crashing into another vehicle which remained in the blind spot, precautions such as installing additional blind spot alerts, fixing missing mirrors and giving drivers informative training were taken in order to avoid such accidents.

With new applications put into effect, the OHS culture is constantly supported.

Çimsa carries out several programs in order to reach its OHS goals. The OHS culture is constantly supported with new programs put into effect along with the long-established programs that have been going on for years.

The company has started the Golden helmet Project in 2016. The Golden Helmet Project is designed to revise occupational health and safety processes, update existing systems, and reduce accident frequency and severity rate. With this project employees' sensitivities are increased for their safety as well as their colleagues' job security.

The Golden Helmet Project covers 18 months and consists of 4 phases; Emergency Actions, System Setup, Placement of Applications and Sustainable OHS System. In the first 3 months of the process, the OHS policies and rules, which are collected under the headings Personal Protective Equipment, Working at Height, EKED (Tag It out- Lock It out - Secure It - Test It) and the Reward and Punishment System, are revised at international standards. Within the scope of the project, employees at all levels of Çimsa operations are given customized OHS trainings according to their job descriptions.

Field Responsibility has been practiced in all locations since 2008. With this application, engineers or specialists determine the authorization and responsibilities of people by dividing up the field. Environmental risks are controlled and the necessary measures are taken in areas where one is responsible.

The OHS Database was created electronically in 2012 for all employees to benefit from the OHS information and it was designed to include the entire OHS presence of the company.

Behavioral Inspections Management teams of 2-3 persons supervising the site operations in order to inspect the ongoing work in the field and taking precautions in case there is irregular work or a hazardous situation in the field. The number of inspection teams is determined based on the size of each plant.

OHS Scorecard Application was started in 2010 with pilot studies in all plants. With this application personal occupational safety performance is monitored with a scorecard.



Golden Helmet Project

With this project employees' sensitivities are increased for their safety as well as their colleagues' job security.

Green and Safe Facilities Project & "Caution! Conscious Employee" Approach is a project which aims to decrease occupational injuries and eliminate risks. With this project, inspections are carried out 6 times a year in all facilities and corrective and preventive actions (CAPA) are executed aimed at risky situations after the results have been evaluated.



Afyon Plant
Ali Korkmazoğlu - Production Master

Occupational Health and Safety

Çimsa is a pioneering company that has been awarded with a serious and systematic approach in the field of OHS in Turkey and in the sector. It is working hard to internalize Occupational Health and Safety into the corporate culture, and will continue to do so. All ready-mixed concrete facilities were inspected 160 times during the reporting period under the headers "Occupational Safety", "Traffic", "Environment", "Construction-site" and "Behavioral". As a result of these inspections Adapazarı Facility won the first prize, Karaman Facility won the second prize and Ambar Facility won the third prize and they were all entitled to carry the titles "Safe and Green Facility" and "Caution! Conscious Employee" for one year.

Following the inspections in 2015-2016, Silifke Ready-Mixed Concrete Facility won the first prize and Çukurhisar Ready-Mixed Concrete Facility won the second prize in the Blue Helmet Occupational Safety Competition ceremony organized by the Turkish Ready Mixed Concrete Association (THBB) on 11 May 2016.

Meanwhile operational control mechanisms such as EKED (Tag It out- Lock It out - Secure It - Test It) are developed in all facility sites along with these applications. Local programs carried out in plants such as "Employees before Work", "Occupational Safety Employee of the Month", "Facility Host Principle" help employees internalize OHS principles.



Kayseri Plant
Working At Height Training

| | Cement Plants | Ready-Mixed Concrete Facilities |
|----------------------------------|---------------|---------------------------------|
| Accident Rate | | |
| Çimsa Employees | 1.14 | 0.86 |
| Female | 0.00 | 0.00 |
| Male | 1.19 | 0.89 |
| Contractors | 0.85 | 1.51 |
| Occupational Illness Rate | | |
| Çimsa Employees | 0.00 | 0.00 |
| Female | 0.00 | 0.00 |
| Male | 0.00 | 0.00 |
| Contractors | 0.00 | 0.00 |
| Lost Time Rate | | |
| Çimsa Employees | 14.86 | 58.74 |
| Female | 0.00 | |
| Male | 15.49 | 60.76 |
| Contractors | 20.65 | 20.89 |
| Absentee Rate | | |
| Çimsa Employees | 272.57 | 203.42 |
| Female | 299.50 | 0.00 |
| Male | 180.13 | 210.44 |
| Contractors | 74.46 | 0.00 |
| Fatalities | | |
| Çimsa Employees | 0.00 | 0.00 |
| Female | 0.00 | 0.00 |
| Male | 0.00 | 0.00 |
| Contractors | 0.00 | 0.00 |

Occupational Health and Safety

Goals

Short-term

- **To decrease accident frequency rate 3**
- Raising the average OHS training hour per person over 33 hours.

Medium-term

- **To decrease Injury frequency rate 2**
- Raising the average OHS training hour per person over 35 hours.

Long-term

- **To decrease Injury frequency rate 1**
- Raising the average OHS training hour per person over 40 hours.

Çimsa is a pioneering company that has been awarded with a serious and systematic approach in the field of OHS in Turkey and in the sector. It is working hard to internalize Occupational Health and Safety into the corporate culture, and will continue to do so.



Silifke Ready Mixed Concrete Facility



Climate and Energy



Climate change ranks among the top leading global problems that we face today. Energy consumption-based emissions are among the fundamental causes of the climate change. As a result cement sector which involves energy-intensive work processes is inclined to be more active about combating the climate change. Expectations towards the reduction of carbon dioxide emissions, which is one of the major topics of combating the global climate change, brings a major responsibility to the sector.

Çimsa participated in the Carbon Disclosure Project (CDP) which is an international initiative combating climate change. Presenting its applications and performance to combat climate change with the CDP Climate Change report every year, Çimsa received A- score from the CDP evaluation during the reporting period and became the first in Turkey.

With the capacity increase investment made at the Niğde Plant, the Niğde Plant clinker transfers will be and 20.86 tons of CO₂/year under Scope-3 will be saved.

Çimsa indirectly contributes to the Turkish economy through the energy efficiency policy it observes.

In addition to the direct added value it creates for the economy of the country, Çimsa indirectly contributes to the Turkish economy with its energy efficiency policy and its activities through producing energy from alternative fuels. The amount obtained as a result of these efficiency activities is an input to the country's economy which is dependent on foreign resources in terms of energy resources.

Projects required for combating climate change are being gradually applied in all Çimsa plants. With the support of technical information sources received from the Cement Sustainability Initiative (CSI), Çimsa continues its efforts to comply with the laws, regulations, communiqués and commitments regarding emissions and carbon dioxide issues concerning the country's cement sector together with other organizations under the umbrella of Turkish Cement Manufacturers' Association (TCMA).

Energy is the most critical input in cement production.

Since energy comes at a great cost and is a significant source of emissions, the efficiency of energy management at Çimsa cement production plants is crucial. Energy consumption points are constantly monitored and optimized by specialists during all production processes at Çimsa plants. Senior management is informed on the performance achieved through periodic reports in an effort to support the energy management strategy identification process. Energy consumption is also regarded as an aspect of the risk models produced and it is analyzed in that context as well.

Main targets in Çimsa energy management consists:

- energy recovery from waste gases heat,
- to improve productivity by redesigning business processes and creating projects for the use of more efficient equipment and
- to reduce greenhouse gas emissions from energy consumption by using alternative fuel sources as widely as possible.

Alternative Fuel Consumption

Alternative fuels are waste materials with calorific values. Therefore, alternative fuel usage also supports the waste management process of other industries as well as minimizing the environmental impact from the wastes. This way energy recovery is achieved from non-recyclable alternative fuels, which remains the one waste management method in the waste management hierarchy.

The two most important carbon dioxide sources during the cement production process are the decarbonization process of the raw materials and fuel combustion. Alternative fuel use, increase of alternative material and natural additive ratios, increasing the efficiency of thermal energy and electricity are the major leverages enabling reduction of carbon dioxide emissions within the sector.

The total energy amount consumed in Çimsa cement operations was 21,626 TJ as of 2016. 2,302 TJ of this consumption was electric energy and 983 TJ was energy obtained from alternative fuels. While the conventional fuel consumption rate declined during the year when compared to the previous year, alternative fuel usage in the cement group increased from 7.79% to 8.67%. Savings due to the recovery of waste gases heat was also a major contributor to the successful performance achieved in the decline of electric energy consumption.

Çimsa Eskişehir Plant sets a good example for alternative fuel usage. In 2016, a significant share of thermal energy was produced by combustion of 58,503 tons of alternative fuels, equaling 18 football fields by volume, in the second kiln of the Eskişehir Plant. This brought the alternative fuel usage rate of

58.503 tons

In 2016, in the second kiln of the Eskişehir plant, the fuel consumption ratio increased to 33% by burning 58,203 tons of alternative fuel in 18.2 football field volumes.

the facility to 33%. This success achieved in the Eskişehir Plant demonstrates the leading position of Çimsa in the sector while in 2016 the alternative fuel average in the Turkish cement sector was 3.7%.

Alternative Raw Material Consumption

Obtaining the highest efficiency from natural resources is crucial in terms of sustainable use of resources in the cement sector where raw materials are heavily used.

There are two ways in which alternative raw materials are used in the cement sector. The first is the replacement of the natural raw materials with alternative raw materials during clinker production, which is a semi-product used during cement production. The second is the use of alternative raw materials during cement production, along with the natural additive materials added to the clinker in certain amounts without compromising the cement quality norms. Alternative raw materials and additives are various materials that are mostly the waste or by products of other industries. Alternative raw material usage rate is calculated by using the methodology of World Business Council for Sustainable Development (WBCSD) Cement Sustainability Initiative (CSI).

Çimsa protects the natural resources and brings solutions to the disposal of wastes which are important environmental and social problems through its activities on replacing non-recyclable primary fuels and natural raw materials with their alternatives.

Greenhouse Gas Emissions

As Çimsa moves towards its growth targets, it takes decisive steps in order to preserve the environment as well as maintaining the sustainability of its activities and it works hard to be able to track its carbon footprint and minimize it.

Conscious of the risks created by climate change on the sustainability of energy and water resources, Çimsa acts proactively to decrease greenhouse gas emissions which it believes to be one of the factors impacting global climate change. .

İklim ve Enerji

Effective follow-up and control of production and processes play an important role in improving the performance towards decreasing greenhouse gas emissions.

Çimsa takes into account the methodology developed by the World Business Council For Sustainable Development (WBCSD), Cement Sustainability Initiative (CSI) in its calculations of greenhouse gas emissions produced during its activity processes. Çimsa is audited by an independent audit company at certain periods as per the commitment it made as a member of the Cement Sustainability Initiative, and these reports are regularly shared with the Cement Sustainability Initiative.

In this context Çimsa prepares annual reports including its greenhouse gas strategy, risk and opportunity analyses, its performance and results in accordance with the legal regulations and submits them to the CDP.

The company conducts its emission calculation activities in 3 categories; direct (scope 1), indirect (scope 2) and off-site (scope 3) greenhouse gas emissions. Every year “calculated CO₂ and energy parameter values are uploaded to CSI’s GNR database”.

Rotary Kiln Emissions

Dust and gas emissions also occur along with the greenhouse gas emissions during the production processes of cement in the rotary kilns. Continuously monitored through measuring systems, dust and gas emissions are also periodically measured by the accredited laboratories in line with the related regulations and are then reported to the Ministry of Environment and Urbanization. Emission values of the company have remained below the values specified in the regulation and thus complied with the legal regulation..

Dust Emission

One of the most distinctive emission types in the cement sector is dust emission. Çimsa reduces the dust emissions through dedusting applications such as watering, bag filters and closed raw material stockhole. As a result of the improvement activities at Çimsa factories, dust emission values have remained well below the relevant regulation values.



| Greenhouse Gas-Gas-Dust Emissions | | 2015 | 2016 |
|---|------------------------------|---------|---------|
| Scope 1 Gross Greenhouse Gas Emission Amount (grey+white) | m ton CO ₂ | 4.5 | 4.5 |
| Scope 2 Gross Greenhouse Gas Emission Amount (grey+white) | ton CO ₂ | 283,192 | 277,338 |
| Scope 3 Gross Greenhouse Gas Emission Amount | ton CO ₂ | 79,214 | 80,737 |
| Grey Cement Specific CO ₂ Emission (Scope 1) | kg CO ₂ /t Cement | 731 | 729 |
| Grey Cement Specific CO ₂ Emission (Scope 2) | kg CO ₂ /t Cement | 46 | 44 |

Energy Management

Energy management at Çimsa is one of the priority topics of sustainability strategy.

Energy Efficiency

Energy management at Çimsa is one of the priority topics of sustainability strategy. In this context, the company determines its energy consumption and greenhouse gas reduction targets, analyzes low carbon technology alternatives, identifies energy reduction measures and implements them. The ultimate goal is reaching higher production levels with low energy consumption and lower greenhouse gas emissions. While conducting activities which will improve efficiency and quality with this aim, Çimsa also systematically researches measures that could be taken to decrease energy consumption resulting from production.

High energy savings were achieved through Çimsa projects which provide energy efficiency such as the use of energy efficient equipment in crushing, pyroprocessing and grinding facilities, process optimizations and energy recovery investments.

Çimsa Niğde Plant Energy Power Line

Niğde Çimsa Transformer Station project is going on with full speed where Çimsa Niğde plant will be using the national electric line instead of the city power line. The project was realized as the product of diligent work in light of comprehensive calculations and analyses. Çimsa Niğde plant now has access to a clean energy source over the national power line and therefore it will not be impacted by any interruption of energy.

The project will also lead the way for new investments by indirectly solving the energy problem in the region due to the location of Niğde Çimsa TM and it will contribute to both Niğde and Turkey in the name of national economic development.

Climate and Energy

Goals

Çimsa, önümüzdeki dönemde **alternatif yakıt oranının artırılmasını**, petrokok, kömür gibi konvansiyonel katı yakıtların kullanımının azaltılmasını sağlayacak projelere hız kazandırmayı hedeflemektedir.

Şirket, alternatif yakıt ve hammaddelerin sisteme güvenli olarak katılabilmesi ve proses verimliliğinin korunması amacıyla **atık besleme yatırımlarını** hayata geçirmeyi hedeflemektedir.

| Air Pollution Emissions | | 2015 | 2016 |
|---|----------------|----------|----------|
| Total Dust Emission | ton | 93.54 | 98.80 |
| Specific Dust Emission | gr/ton clinker | 18.58 | 19.10 |
| Total Nox Emission | ton | 7,515.57 | 8,456.00 |
| Specific Nox Emission | gr/ton clinker | 1,492.75 | 1,630.80 |
| Total Heavy Metal Emission | ton | 0.002 | 0.02 |
| Specific Heavy Metal Emission | gr/ton clinker | 0.005 | 0.005 |
| Total Volatile Organic Compound Emission | ton | 150.56 | 152.90 |
| Specific Volatile Organic Compound Emission | gr/ton clinker | 34.22 | 29.50 |
| Total Dioxin-Furan Emission | ton | 0.15 | 0.02 |
| Specific Dioxin-Furan Emission | gr/ton clinker | 0.03 | 0.004 |
| Total HCl | ton | 1.215 | 0.80 |
| Specific HCl | gr/ton clinker | 0.276 | 0.20 |
| Total HF | ton | 1.25 | 0.80 |
| Specific HF | gr/ton clinker | 0.30 | 0.20 |

Environmental Management



Environment Management

Çimsa meets its responsibilities to its employees, business partners and all parts of society with its quality, reliable and sustainability-based production approach which complies with the environment and legal regulations, which respects the environment, which meets goals above the values determined by its standards and is sensitive about its employees and occupational health.

Environmental management is an indispensable part of all processes within Çimsa activities.

At Çimsa, environmental management is conducted with a risk and opportunity-focused approach by the senior management, in line with the strategies determined through the assessment of risk management outputs and these strategies are transformed into periodic and objective goals by the Environmental Management set up in the company.

The Environmental Management constantly follows-up and controls the processes designed in accordance with the Environmental Policy of the company and ISO 14001 Environmental Management System.

Legal compliance is one of the preconditions of environmental management activities.

Çimsa's environmental management activities are subject to internal and external audits. Internal control teams review the process feasibility and compliance with the procedures while the validity of ISO 14001 Environmental Management System which is approved by an independent audit process.

Meanwhile environmental management processes are also audited by the public institutions as per the related legal regulations. Environmental Management teams work to maintain full compliance with the legal regulations in terms of process and performance on environmental management issues.

Project investment activities are conducted every year in many areas to increase the environmental performance. In this context 10,501,699 TL environmental investments were made in 2016.

Environmental Investments (TL)

| 2014 | 2015 | 2016 |
|------------|------------|------------|
| 13,850,605 | 12,432,989 | 10,501,699 |

Water and Waste Water Management

The sources of water mainly used for the cooling, dedusting and watering processes at Çimsa production facilities are well water and municipal water. Various water reuse practices are implemented in order to reuse the natural spring water consumed at all facilities.

Çimsa plants only generate domestic waste water as opposed to industrial waste water. There are waste water treatment plants to discharge the treated waters in both the cement process and in accordance with the regulations. The resulting waste water is monitored during the periods determined by laws and regulations and the treated water output analysed values are below the regulation limit values.

Domestic waste water produced at the Çimsa Eskişehir and Kayseri plants are reused as gas conditioning towers after treatment. With this method waste water discharge is prevented and water consumption is reduced. Rain water is also collected in surface water sedimentation tanks in the plants where solid materials are sedimented and water is used for dedusting. In this way there is a big decrease in the natural spring water amounts used for dedusting.

Waste water generated in the Mersin plant go through biological waste water treatment system. Following this process, water reaching limit values specified in the waste water discharge part of environmental permissions is discharged to the receiving environment.

The domestic waste water from the Niğde Plant is directly connected to the municipal wastewater treatment plant by sewerage system. Waste water at the Ankara Plant is collected in a septic tank and then sent to the municipal treatment system.

Waste water produced during the ready-mixed concrete process is physically treated in sedimentation tanks and then sent back to the production system.

Çimsa participates in the climate and water programs of the Carbon Disclosure Project (CDP) which is an international investment community initiative for combating the climate change.

In this respect, every year Çimsa prepares the GDP Water Report which includes its practices and goals regarding combating the global water crisis along with its climate related efforts and goals. For the first time in the cement sector, Çimsa has conducted grey water footprint calculations and disclosed these results in its CDP Water report..

Water Saved at Çimsa Mersin Plant

Acting with the idea of conscious water consumption, Çimsa Mersin plant installed 50 photocell water taps in community areas in its facilities in order to decrease water consumption and to maintain hygiene. Water saved as a result of this activity was on average 225 tons a month.

Management of Hazardous and Non-Hazardous Waste

Regarding the disposal of the hazardous and non-hazardous wastes resulting from Çimsa production operations, a waste management system was set up which complies with the legal provisions with specific engineers assigned with responsibilities by facility, with specially designed implementation processes, classification, recording and reporting procedures in place.

Tracked according to this system, the wastes are first separated and coded by their properties at the source and then stored according to the regulations. They are then either recovered or disposed of in ways stated by the legal provisions.

Non-recyclable wastes produced at Çimsa production facilities by the Ministry may be used as alternative fuels in rotary kilns for energy recovery. Recyclable waste materials are sent to recycling facilities. All the processes starting from the waste at the plant to its delivery to the final destination are monitored closely by the Environmental Management Unit in the scope of Çimsa waste management and the necessary reports are filed in line with the related regulations.

The packaging wastes produced at Çimsa Plants are collected separately at the sources, stored separately from other wastes are sent to the licensed recycling companies. Also an agreement was made with the authorized organization for package wastes resulting from products launched into the market with packaging. In this context every year package recovery is achieved in the amounts specified in the related regulation. The recovery rate for packages launched into the market was 52%.

| | |
|--|--------------|
| Total Hazardous Waste Amount Based on the Disposal Method (ton) | 141 |
| Recovery | 11 |
| Energy Recovery | 122 |
| Disposal | 8 |
| Total Non-Hazardous Waste Amount Based on the Disposal Method (ton) | 2,118 |
| Recovery | 1,687 |
| Waste Incineration | |
| Disposal | 431 |

Environmental Management

6,605,061 tons

The mining activities carried out in 2016 resulted in 6,605,061 tons of finished material.

Mining Sites and Biodiversity

The main raw materials used in cement production are products such as limestone, clay and shale dug from mine sites. Çimsa produces these products, which are needed to continue its production activities, with its mining activities itself. Materials produced as a result of the mining activities in 2016 were 6,605,061 tons. Activities which will increase the usage rate of alternative raw materials have accelerated in order to bring our natural resource consumption to a minimum.

Production activities at Çimsa mining sites are carried out in full compliance with the Mining Law, the Environmental Law and other related laws and regulations by the Raw Materials Directorate and raw materials groups at cement plants.

Avoiding any negative impact on the natural life due to mining operations and minimizing the environmental impact is of the utmost importance to Çimsa. Therefore activities start well before the mining site operations begin. Once the mining site has been identified, the Environmental Impact Assessment (EIA) process starts.

During the EIA process, any possible environmental and social impact including biodiversity are identified and necessary measures are planned. Meanwhile Ecological Recovery Plans are prepared regarding how the site will be restored before the mining site goes operational. All these plans become official following the approval of the local administrations, related ministry and other official institutions.

As of 2016 Çimsa operates in 526 ha of mining sites while the related public authorities approved the Ecological Recovery Plans for 166 ha of land.

Çimsa sets a provisional amount annually in order to secure the financial resources to be used every year for the restoration activities as per the Ecological Recovery Plans. In order to keep its mining operations sustainable, Çimsa starts the reforestation activities for the sites before the operation has ended fully.

Between 2013 and 2016, restoration activities on all of the 17 ha of mining sites where the operation has ended were completed.

Raw Material Amount Obtained From Mines (ton)

| 2014 | 2015 | 2016 |
|-----------|-----------|-----------|
| 5,406,896 | 5,322,942 | 6,605,061 |

Active Mine Site Area (ha)

| 2014 | 2015 | 2016 |
|------|------|------|
| 317 | 318 | 526 |



Avoiding any negative impact on the natural life due to mining operations and minimizing the environmental impact is of the utmost importance to Çimsa.



Eskişehir Plant

SCOPE-1**With the Mersin number 1 RK investment in 5 years;**

2016 —————> 2021

With the improvement to be made at the Mersin plant, a reduction of 3.5% of our kg CO₂/ton cementitious ratio is targeted.

SCOPE-1**Eskişehir Investment and Niğde Capacity Increase**

2016 —————> 2017

With the improvement to be made at the Eskişehir and Niğde plant, a reduction of 1.2% of our kg CO₂/ton cementitious ratio is targeted.

SCOPE-2**Niğde energy improvements**

2016 —————> 2017

With the improvement to be made at the Niğde plant, a reduction of 10% of our kg CO₂/ton clinker ratio is targeted.

SCOPE-2**Mersin 1st RK energy improvements**

2016 —————> 2021

With the improvement to be made at the Mersin plant, a reduction of 15% of our kg CO₂/ton clinker ratio is targeted.

Environmental Management

Leed-Certified Building at Çimsa Eskişehir Plant

The dining hall building built in 2015 at the Çimsa Eskişehir Plant stands out as an environmental friendly building application which brings out energy, water and material efficiency. The building is a first in the sector for having obtained a Leed Platinum Standard certificate as a result of the inspection held by the U.S. Green Building Council.



Environmental Management

Goals

Climate Change

Remaining on the CDP Climate Change report list of leaders.

- Reducing Kg CO₂/ton cementitious rate.
- Increasing alternative fuel rates.
- Reducing energy consumption (Kwh/ton clinker)
- Decreasing fuel amount per unit of product (calories).
- Receiving ISO 14064 Carbon Footprint Document.
- Adopting environmental technologies in new investments to be made.
- Achieving the greenhouse gas reduction goals set by the Ministry of Environment and Urban Planning for the cement sector (Measuring, Reporting and Verification (MRV) of greenhouse gas emissions).

Water-Waste Water Management

- Be included the list of leaders on CDP Water Report.
- Receiving ISO 14046 Water Footprint
Providing the required equipment in order for all the consumed water in all our facilities to be measured by production (ton water/ton clinker).
- Reducing consumption of natural resources.
- Complying with the discharge limits specified in the Water Pollution Control Regulations.

Gas and Dust Emissions

- Reducing our NOx emissions to values of 700 mg/Nm³ with SNCR investments

- Compliance with all limit values specified as per the Industrial-based Air Pollution Control Regulation and Regulation for Waste Incineration and Emission Measurement Systems Communiqué.
- Increasing dedusting investments at facilities.
- Completing the conversion of **Electrostatic precipitator to Bag Filter**.

Wastes

- Reducing the **waste amounts produced** by our plant operations.
Increasing the **recycling /recovery rates** in waste management.
Complying with the recycling rates specified in the Packaged Waste Control Regulation.

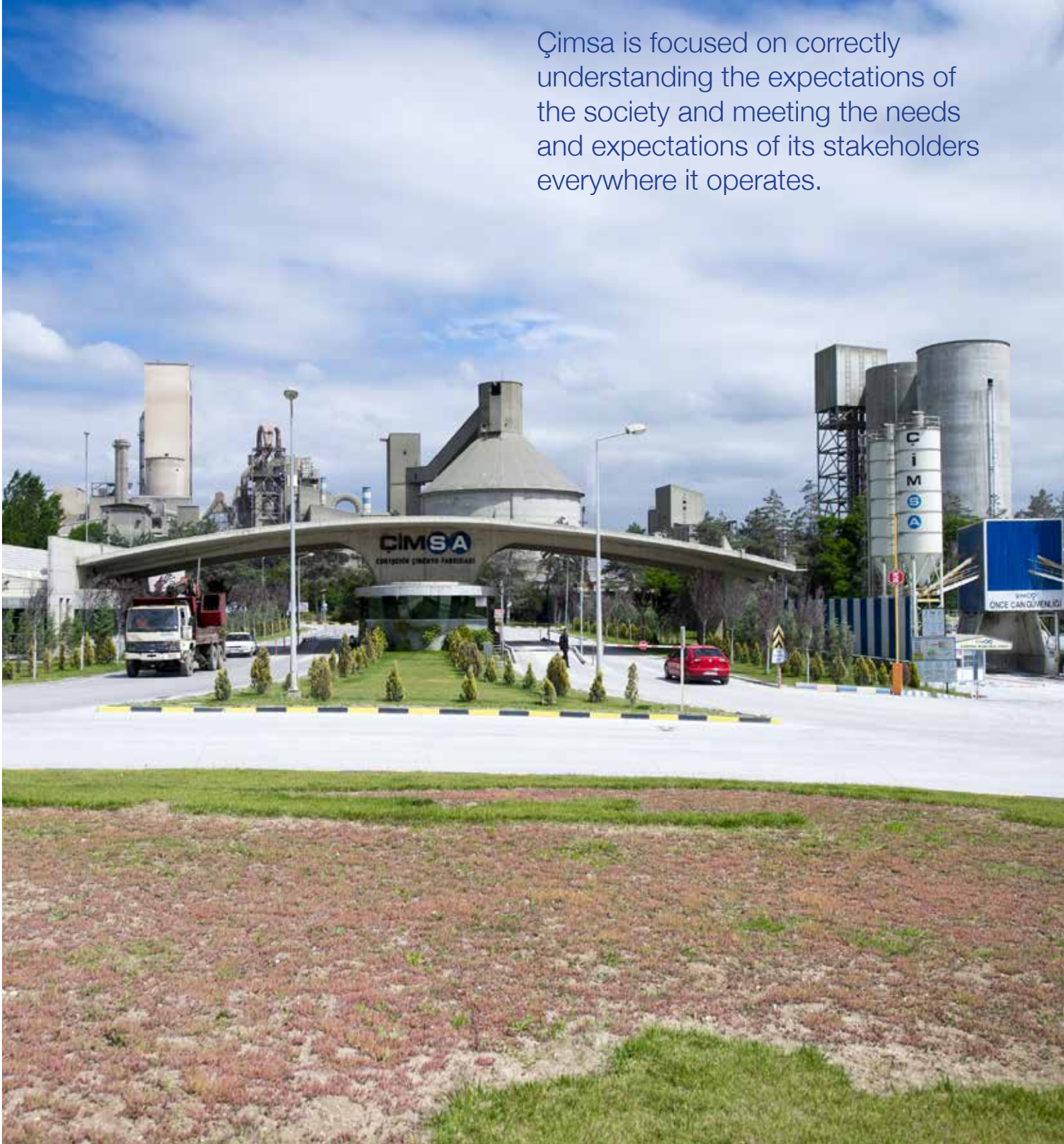
Alternative Fuel/Raw Material

- Decreasing our fossil fuel consumption by increasing our **alternative fuel usage** by 15% from 8.67% in the medium-term.
- Decreasing our natural raw material usage by increasing our **alternative raw material** usage by 5% in grey cement in the medium-term,

General

- **Increasing the person*hour periods** in Environment and Sustainability trainings.
- Presenting the best practices done at Çimsa in the fields of Environment and Sustainability to **institutions like universities**, associations and stakeholders.

Çimsa is focused on correctly understanding the expectations of the society and meeting the needs and expectations of its stakeholders everywhere it operates.



Eskişehir Plant



Corporate Social Responsibility



Mersin Plant



Kayseri Plant Zoo Visit

Physical Locations

The locations where Çimsa's plants have an importance beyond being just a physical location of the plants.

Corporate Social Responsibility

Çimsa is an active and respected member of the society. The locations where Çimsa's plants have an importance beyond being just a physical location of the plants. Çimsa's stakeholders and employees continue their lives in these regions, and more importantly new generations who will be working at the company grow there.

Being an active and respected member of the society is crucial for Çimsa. Çimsa is the leading employer at regions where its plants are located. Regions where the company operates in are directly and indirectly affected by the operations. Çimsa is focused on correctly understanding the expectations of the society and meeting the needs and expectations of its stakeholders everywhere it operates.

Çimsa's CSR Approach

Nowadays companies contribute actively to the society with social responsibility projects aiming to improve the society and individuals as well as producing economic value. Çimsa realizes social responsibility activities in order to increase the welfare levels of individuals as well as creating sustainable and permanent values for the society and supports social improvement activities with determination through its collaborations.

Education and children are at the core of CSR activities that are carried out in a systematic and planned fashion at Çimsa. Giving importance to contributing to children in the education field as one of the most basic issues of our country, Çimsa also endorses social responsibility projects in areas like health, environment, culture-arts, and sports.

The social responsibility activities which took place in 2016 at Çimsa are summarized below.

Total number of children participating in the "Summer Kids" project was 595.

The total number of children who participated in the Summer Kids project reached 595 as of 2016 end. This project was started by Çimsa in 2011 to contribute to the development of children in Niğde with 32 children. A psychologist, three drama teachers and three physical education teachers give trainings to children aged 7-12 for periods of two weeks.

In 2016 Recycling training was given to children in cooperation with the Child University Department of Niğde University, Continuous Education Center where they were informed about waste recycling.

Held with the participation of the kids of Çimsa Niğde Plant employees in its first years, the project expanded to include children from nearby villages in the following years. The project has been going on for 6 years and it was moved to Mersin in 2016..

WE PAVE THE WAY THAT BRIDGES HOPE

WITH LOVE AND HUMAN WITH SUCCESS



Success

Hope

Love

Human

Corporate Social Responsibility



Niğde Plant



Mersin Plant

Çimsa made the list of the first 10 teams which took the most steps in the September project.

Every year Çimsa participates in the “September” social responsibility project organized by the Spastic Children’s Foundation of Turkey (TSÇV) as a volunteer to support children with Cerebral Palsy.

70 Çimsa employees participated in the project as 19 teams in 2016 and took 10,000 steps in a day in the scope of various activities to make a difference in the lives of children living with Cerebral Palsy and helped collect donations by organizing campaigns.

Meanwhile during the project which took place simultaneously in many countries in the world, Çimsa became one of the first 10 teams which took the most steps among 65 institutions in Turkey by taking 14,671,051 steps.

Headlines from the other social responsibility activities of Çimsa in 2016...

- During the Disability Week, 36 electric wheelchairs were given to people with disabilities in collaboration between the Mersin Metropolitan Municipality and Çimsa in 2016.
- Contribution is made to the Plastic Lid campaign run by The Spinal Cord Paralytics Association of Turkey (TOFD) since 2011 by collecting lids. Contribution to the purchase of battery-operated and manual wheelchairs for the disabled persons are provided with the support given to the campaign through the income coming from the recycling of the lids.
- Çimsa participated in Turkey Innovation Week between 7 and 9 December 2016 which was initiated by the Turkish Exporters Assembly (TİM) to support innovative works. Çimsa representatives met with many industrialists, academics and university students at the booth under the Sabancı Holding roof.



Mersin Plant



- Participation and support were given to the 16th International Marmara Underwater Imaging Festival, which was organized by the Turkish Divers Sports Club (TBK) between 1-4th of September in order to draw attention to the underwater world and pollution in the Marmara Sea.
- Çimsa supported and participated in the C3E. The Role of Women in Clean Energy Symposium organized by the Massachusetts Institute of Technology (MIT) where the difficulties of clean energy and opportunities and the participation of women in clean energy were discussed under the header “Enhancement of Big Trends for the Future of Clean Energy”.
- Held regularly every year, “Women to Women Chats” activity took place in Mersin on 8th of March and in Kayseri on 9th of March where “quality life, stress and managing stress” trainings were given with the participation of 32 women in Mersin and more than 50 women in Kayseri.
- Established in 2010 and consisting of employees, the sailing team “Çimsail” participated in 9 races and won the first and third prizes in the TAYK Fall Cup I and TAYK Fall Cup II respectively.

Çimsa also carried out many local social responsibility activities throughout the year in cities where the plant campuses are located.

Çimsa Afyon Plant

- Plant employees planted 5,000 saplings into the garden of the new cement plant.
- Plant employees supported the blood campaign of Kızılay “A Sapling for Blood” by donating blood in May.
- A shelter was built for the puppies at the plant area and they were taken care of.

Çimsa Eskişehir Plant

- Trees were planted through the “My Forest” campaign with the cooperation of Sivrihisar Municipality and ÇEVKOR Environmental Protection Magazine.
- 8th March of International Women’s Day was celebrated with the female employees in the plant and the importance of being a female employee in the cement sector was highlighted.
- Plant employees visited the students of Çukurhisar Primary School on 23rd of April and conducted activities and gave gifts to the children.
- Çukurhisar Primary School students, where plant employees’ kids attend, visited the Plant and together with watched the employees watch videos they prepared on observing Occupational Health and Safety rules.

Çimsa Kayseri Plant

- 15 bicycles and tablets were presented to children who won awards at various activities and contests during the celebrations of the World Environment Day in cooperation with the Kayseri Provincial Department of Environment.
- Plant employees participated in the seminar “Addictive Substances and Things Parents Can do to Avoid Substance Abuse in Children” organized by the Kayseri Metropolitan Municipality with their families to draw attention to cigarette, alcohol and substance abuse in children.
- 4,000 trees were planted in the cement plant in 2016 while a total of 12,000 trees were planted to date in the context of regular forestation activities.
- Kayseri Plant and Nuh Naci Yazgan University (NNYÜ), Health Sciences Faculty, Nutrition and Dietetic Department cooperated to train the spouses of plant employees on adequate and balanced nutrition and things to watch out for on foods and their body measurements were taken.
- Within the scope of the Healthy Nutrition project, with a 2-month training program, 165 people were reached and 93% success rate was achieved in the project. Employees who have successfully completed the personal nutrition program have lost a total of 167 kg between themselves.
- Plant employees celebrated the 23rd of April National Sovereignty and Children’s Day with their children.
- A zoo trip was organized for plant employees and their children for them to see the animals from up close and to get to know them.



Corporate Social Responsibility

Çimsa Mersin Plant

- Environment Day activities were organized for plant employees and their families.
- Plant employees participated in the Dragon Festival which took place in Mersin on 7-8 May. The team came 9th among 35 companies in the contest and also won the first prize in the costume design category with its specially designed costumes.

Çimsa Niğde Plant

- Çimsa gave 15 bicycles as gifts to students who participated and won top prizes in the environment contests held by Niğde Provincial Environmental Directorate to celebrate World Environment Day.
- The Plant contributes to the education of students by repairing a school every year through the “Village School Repair and Modernization” project since 2010. In this context the modernization of Niğde’s Yeşilova Village School was completed in 2016, the school’s surroundings and classes were repaired and fixed, a heating radiator system was installed, necessary equipment such as clipboard, closet, hanger, etc. were supplied and trees were planted in the garden with the students.
- Trainings on substance and drug addiction were given by the on-site doctor.
- Sick kittens at the plant were medically treated and vaccinated and were placed in a shelter provided for them.
- Trees were planted in order to contribute to the “My Forest” campaign.
- International Women’s Day was celebrated at lunch with all women employees on the 8th of March.
- Ömer Halisdemir University, Environmental Engineering students, supported by the company, made it to the finals in the “Industry-Oriented Bachelor’s Theses” contest organized annually by The Scientific and Technological Research Council of Turkey (TÜBİTAK).
- Yeşilova Village Primary School, which was repaired in the scope of the “Village School Repair and Modernization” project, was visited on account of 23rd of April National Sovereignty and Children’s Day.
- A table tennis tournament was held with the participation of 28 employees from the Plant and Ready-Mixed Concrete



Mersin Dragon Festivali



Summer Kids CSR Project

Corporate Social Responsibility

Goals

- Establishing a **volunteering platform consisting of Çimsa employees,**
- **30% of Çimsa employees** to be volunteers, Reporting of the number of volunteers and volunteering time by the volunteer platforms which will be set up at the locations,
- **Carrying out the Summer Kids CSR Project** at 5 different locations where Çimsa’s plants are located,
- **Stakeholder meetings** to take place in all plants at least once a year,
- Having at least 1 **awarded corporate social responsibility project,**
- Ensuring the dissemination of **integrated thinking** in all functions across Çimsa,
- Maintaining the sustainability of the Integrated Annual Report

Board of Directors



Mehmet HACIKAMİLOĞLU
Chairman



Seyfettin Ata KÖSEOĞLU
Deputy Chairman



Serra SABANCI
Member



Barış ORAN
Member



Hasan Cihat ERBAŞOL
Independent Member



Mehmet KAHYA
Independent Member

Mehmet HACIKAMILOĞLU**Chairman (as of February 17, 2016)**

Mehmet Hacıkamiloğlu was born in Ankara in 1969, and after receiving his bachelor's degree in Civil Engineering from Boğaziçi University, he completed the International Business Administration Program at Istanbul University and the Executive-MBA program at Sabancı University. Mr. Hacıkamiloğlu then joined Sabancı Group as Facility Manager at Betonsa, and continued his career at Sabancı Group as an Investment and Planning Specialist at the same company. Mr. Hacıkamiloğlu then served as Strategy Development and Planning Manager at Akçansa between 1997 and 1999, and as Company Manager at Agregasa between 1999 and 2001; and upon serving as Financial Coordinator at Akçansa for two years, he joined Çimsa as a Vice General Manager (Financial and Administrative Affairs). Mehmet Hacıkamiloğlu was appointed as the General Manager of Çimsa on July 01, 2006; and he left this office as of September 01, 2014 and was appointed as the General Manager of Akçansa Çimento Sanayi ve Ticaret A.Ş. On February 17, 2016, he was elected as the Chairman of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş.

Seyfettin Ata KÖSEOĞLU**Chairman (between October 16, 2015 and February 17, 2016)****Deputy Chairman (as of February 17, 2016)**

Born in Akşehir in 1960, Seyfettin Ata Köseoğlu graduated from the Department of Mechanical Engineering of Boğaziçi University. Later, he received his master's degree in Electrical Engineering from Lehigh University, and received his MBA degree from Boston University. Köseoğlu started his banking career at İktisat Bank, and served at Finansbank, Bear Stearns, Societe Generale Investment Bank, Credit Suisse First Boston Bank and BNP Paribas/TEB. As of July 01, 2011, he began to serve as the President of the Strategy and Business Development Group of Sabancı Holding. Since August 15, 2011, he has been serving as a Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. He was elected as the Chairman of the Board of Directors on October 16, 2015 and as the Deputy Chairman on February 17, 2016.

Mustafa Nedim BOZFAKIOĞLU**Deputy Chairman (UNTİL February 17, 2016)**

Born in Tarsus in 1950, Nedim Bozfakioğlu graduated from the Department of Economics of Istanbul University in 1972. He served as Finance Manager and Financial Affairs Assistant Manager at Lassa and Kordsa. Bozfakioğlu served as Head of Budgeting, Accounting and Consolidation Department at Sabancı Holding, and he is still serving as the General Secretary of Sabancı Holding. He was elected as the Between April 26, 2004 and February 16, 2016 he served as a member of the Board of Directors at Çimsa Çimento Sanayi ve Ticaret A.Ş.

Serra SABANCI**Member**

Serra Sabancı was born in Adana in 1975, and she completed her education at Portsmouth University and at the Department of Economics of Istanbul Bilgi University, where she graduated as the first in her class. Serra Sabancı worked at Temsa, and she was trained at Institute of Directors in London on Company Acquisition and Board of Directors Memberships. Serra Sabancı currently serves as a member of the Board of Directors at Sabancı Holding and various community companies and as a member of the Board of Trustees at Sabancı Foundation. She was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş. Board of Directors as of December 18, 2009.

Barış ORAN**Member**

Born in Çanakkale in 1973, Barış Oran graduated from the Department of Business Administration of Boğaziçi University, and completed his MBA at the University of Georgia. Mr. Oran started his career as an Auditor at Price Waterhouse Coopers in 1995, and between 1998 and 2003, he worked at Sara Lee Corp. Chicago IL, first on finance and later on treasury/capital markets. He served at Ernst and Young between 2003 and 2006, as Senior Manager first at Minneapolis, MN, then in charge of Europe, Middle East, Africa and India Regions. Mr. Oran started to work at Kordsa Global in 2006, and served in turn as Internal Audit Director, Global Finance Director and CFO. In 2011, he was appointed as H.Ö. Sabancı Holding Finance Director, and he continues to serve as the Head of Finance of H.Ö. Sabancı Holding and the member of Brisa, Enerjisa, Teknosa, Carrefoursa, Yünsa, Avivasa, Temsa and Akçansa Board of Directors and he has Certified Public Accountant (CPA) certificate. He was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş. Board of Directors as of October 16, 2015.

Hasan Cihat ERBAŞOL**Independent Member**

Hasan Cihat Erbaşol was born in Istanbul in 1944, and graduated from Darüşşafaka Private High school in 1962, from Washingtonpark High School-Racine/Wisconsin in 1963, and from Istanbul University School of Law in 1967. Erbaşol started his career as an attorney at Marshall Boya Sanayii, and then served at Legal Consultancy Department at Man Kamyon Sanayii and he worked at Kordsa - Lassa (Brisa) – Beksa companies within the structure of Sabancı Holding and as the Head of the Legal Department of Sabancı Holding. He was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş. Board of Directors as of April 24, 2012.

Mehmet KAHYA**Independent Member**

Mehmet Kahya received his Chemical Engineering and Economy degrees from Yale University, and his MBA degree from Kellogg Graduate School of Management on Finance, Marketing and Operational Research. He served as Chief of Management Services at Sasa, and as Chairman at MKM International and Cybernetic Systems. He in turn served as Vice Chairman at Sabancı Group's Automotive Group, as Chairman and Vice Chairman of Temsa, as Vice Chairman of Toyotasa, and he also served as a Member of Sabancı Holding's Planning and Steering Council and a Member of Board of Directors of Temsa, Toyotasa, Sasa and Sapeksa. He served as Executive Director and Deputy Chairman of Board of Directors of Carnaud Metalbox, Chairman of Uzel Makine and Executive Committee Member of Uzel Holding, General Manager and Vice Chairman of Paint Group of DYO, Executive Committee Member of Sarten Ambalaj, Vice Chairman of Board of Directors of Gierlings Velpor and Chairman of Assan Alüminyum. As the founder, he is providing consultancy services at Kronus Company on strategy, restructuring, profitability transformation, growth, acquisition and merger processes. He serves in the Board of Directors of Yaşar Holding, Altinyunus, DYO and Viking Kağıt as an Independent Member, as the Head of Risk and Audit Committee of Yaşar Holding, and in Administrative and Executive Councils of Viko and Kalibre Boru. He was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş. Board of Directors as of April 24, 2012.

Senior Management



From left to right: Bilgen ÇAĞLI, Ümit ÇETİN, Cem TALAY, Nevra ÖZHATAY, Caner TÜRKYENER, Mutlu DOĞRUÖZ, Ülkü ÖZCAN, Gürol ÖZER

Nevra ÖZHATAY **General Manager**

Nevra Özhatay, who receives a bachelor degree from Boğaziçi University and an MBA from Exeter University in England, started to work as a Finance Specialist in Sabancı Holding Cement Group in 1994. Özhatay, who was the Management Support Manager in Akçansa in 1996, worked as a Strategy and Business Development Specialist in 1998, a Planning and Control Manager in 2000, a Strategy and Business Development Manager in 2004 and she was appointed as Logistics, Strategy and Business Development Director as of 2008. She was appointed as the Vice General Manager as of January 01, 2009. She was appointed as Vice General Manager White Cement and Special Products as of June 01, 2013. Nevra Özhatay was appointed as the General Manager of Çimsa on September 01, 2014, and still holds this office.

Cem TALAY (as of January 16, 2017) **Vice General Manager (Gray Cement Sales and Marketing)**

After graduating from Anadolu University, Department of Finance, Cem Talay began his career by working as Sales Representative at Akçansa. Talay served as the Regional Manager for West Black Sea, Regional Manager for Central Black Sea, and Sale Manager for North-West Marmara at Karçimsa Çimento between 1994 and 2014. Talay began to work at Çimsa in 2014 as the Regional Manager responsible for Eskişehir and Ankara districts and was appointed as the Regional Sales Manager for Eskişehir-Ankara-Afyon districts as of July 01, 2015 and Vice General Manager in charge of Grey Cement Sales and Marketing as of January 16, 2017. In 2007, Talay completed MBA program which has been launched in cooperation with Sabancı University and Kavrakoglu.

Caner TÜRKYENER (as of January 16, 2017) **Vice General Manager (Ready-Mixed Concrete)**

After graduating from Middle East Technical University, Department of Chemistry, Caner Türkyener began his career as Chemical Engineer at Çimsa Kayseri Plant in 2001. Türkyener was transferred to Çimsa Mersin Plant as R&D engineer in 2002, served as R&D engineer, 2nd Facility Semi-Product Engineer, and 2nd Facility Semi-Product Chief of Production at Çimsa Mersin Plant between 2002 and 2007. He served as Production Manager at Çimsa Eskişehir Plant between 2007 and 2012, and Manager at Çimsa Niğde Plant between 2012 and 2014. After having worked as the Manager at Çimsa Kayseri Plant for a short period, Türkyener was appointed as the Regional Director for Kayseri and Niğde districts on July 01, 2014, Regional Sales Manager for Kayseri-Niğde districts on May 01, 2015. He was appointed as the Vice General Manager in charge of Ready-Mixed Concrete as of January 16, 2017.

Ülkü ÖZCAN **Vice General Manager (White Cement and Special Products Sales and Marketing)**

After graduating from the Department of Business Administration (English) of Marmara University, Ülkü Özcan began her career at Lafarge Turkey in 1999. She served as a Strategic Planning Expert between 1999 and 2003, as Strategy and Business Development Manager between 2003 and 2005, and as Marketing Project Manager between 2005 and 2007. She began working at Çimsa in January 2010 as Strategy and Business Development Manager, and she was appointed as Strategy and Marketing Director on April 01, 2013. On February 07, 2014, Ülkü Özcan was appointed to the newly formed Vice General Manager (Strategy, Marketing and Sustainability) position. As of January 01, 2015, she has been serving as the Vice General Manager for White Cement and Special Products Sales and Marketing. She has been serving as the Vice General Manager for White Cement and Special Products Sales and Marketing as of April 01, 2015.

MUTLU DOĞRUÖZ **General Manager (Afyon Çimento)**

Mutlu Doğruöz graduated from the Department of Electrical and Electronics Engineering of Boğaziçi University and began his career in 1983 as Electronics Supervisor at Enka Teknik. Mr. Doğruöz was in charge of installation of the automation systems for five years; in 1989, he began to work as Deputy Project Manager at Saudi Services Group and after four years of experience at this Group, he joined Çimes Elektronik Sanayi. At Çimes, Mr. Doğruöz served as the Company Manager, Vice General Manager and General Manager, respectively. Mutlu Doğruöz joined Çimsa Çimento in 2006 as the company's Investment Manager, and he served as the Vice General Manager in charge of Investments between 2007 and 2012. He has been serving as the General Manager of Afyon Çimento since 2012.

Gürol ÖZER **Vice General Manager (Cement Operations and Investments)**

Born in Tarsus in 1969, Gürol Özer graduated from the Department of Electrical and Electronics Engineering of Middle East Technical University in 1991. He received his master's degree from the Department of Electrical and Electronics Engineering of Çukurova University in 1996. He started to work at Çimsa in 1995 and served in various positions at production and investment departments until he was appointed as the Automation and Control Systems Manager in 2007. He was appointed as the Information Technologies and Automation Manager in 2011 and as the Technology Director in 2012, and he was appointed as the Vice General Manager for Technical Operations on July 01, 2014. Mr. Özer received his MBA training at IEDC Bled School of Management. Since April 01, 2015, he has been serving as the Vice General Manager for Cement Operations and Investments.

Bilgen ÇAĞLI **Vice General Manager (Corporate Development and Human Resources)**

Bilgen Çağlı graduated from the Department of Psychology of Middle East Technical University in 1993, and received her master's degree from the Department of Business Administration of Istanbul University. She started her career at Ankara University in 1993 as a Human Resources and Corporate Communications Specialist. Ms. Çağlı continued to work as Human Resources Manager at Akkök Group of Companies between 1998 and 2003; and between 2003 and 2007, she served as the Human Resources Manager in charge of Vestel companies owned by Zorlu Group. In the following period, she worked as Human Resources Director in charge of Anel Group companies and at Erdemir Demir Çelik A.Ş. Ms. Çağlı has been working as the Vice General Manager for Corporate Development and Human Resources at Çimsa since May 27, 2013.

Ümit ÇETİN **Vice General Manager (Purchasing and Logistics)**

Mr. Çetin graduated from the Department of Banking and Finance of Bilkent University and started his career at the Economic Mission of French Embassy. Mr. Çetin continued his career as a Consultant at Corporate Risk Services Department of Ernst&Young in 2007, and he later worked as an Internal Auditor at Hayat Holding between 2008 and 2009 and at Olmuksa Sabancı International Paper between 2009 and 2012. He joined Çimsa in 2012 and served as the Internal Audit Manager until 2015, and as of April 01, 2015, he has been serving as the Vice General Manager for Purchasing and Logistics.

Senior Management

Dr. Önder KIRCA (until March 31, 2016)

Vice General Manager (Ready-Mixed Concrete)

Dr. Önder Kirca graduated from the Department of Civil Engineering of Middle East Technical University (METU) in 1998 and received his master's and doctoral degrees also from the Department of Civil Engineering of METU. He started to work as a Cement Research and Application Engineer in Çimsa in 2000. He worked as a Cement Research and Implementation Chief between the period of 2002-2006, Marketing Manager in 2007-2011 and Central Anatolia Region Sales Director in 2011-2014. Dr. Önder Kirca served as Assistant General Manager (Ready-Mixed Concrete) between July 1, 2014 and March 31, 2016.

Baran ÇELİK (until February 28, 2017)

Vice General Manager (Finance and Financial Affairs)

Baran Çelik graduated from the Department of International Trade of Boğaziçi University and started his career at Ernst & Young in 2004. Having worked as the Audit Manager at the said company, Çelik then served at Pepsico Türkiye İçecek as Audit Manager between 2010 and 2011. Mr. Çelik started to work at Çimsa in 2011 as the Budget and Financing Manager and he was appointed as the Finance Director as of December 01, 2013. Between January 01, 2015 and February 28, 2017, he served as the Vice General Manager for Finance and Financial Affairs.

Şahap SARIER (until January 16, 2017)

Vice General Manager

(Gray Cement Sales and Marketing)

Şahap Sarier began his career in 1995 as a Field Engineer at Betonsa, after completing his Civil Engineering education at Dokuz Eylül University. Serving as an Operating Supervisor between 1995 and 1997, Mr. Sarier worked as the Regional Manager of Akçansa Ready-Mixed Concrete between 1998 and 2004, and in the following period, he served for two years as the Operations Manager of Karçimsa A.Ş. In 2006, Mr. Sarier began working at Çimsa as the Vice General Manager in charge of Ready-Mixed Concrete, and he was appointed as the Vice General Manager in charge of Cement Production as of January 01, 2011, and as the Vice General Manager (Grey Cement) as of July 01, 2014. Mr. Sarier received Executive MBA training at Sabancı University and participated in Senior Executive program at Columbia University. Between April 01, 2015 and January 16, 2017, he served as the Vice General Manager for Gray Cement Sales and Marketing.

2016 BOARD OF DIRECTORS ANNUAL REPORT



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(Convenience translation of a report originally issued in Turkish)

**INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS**

To the Board of Directors of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2016.

The Responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the "Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Group's annual report in February 22, 2017 in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards ("IAS") which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based on the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the board of directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent Auditor's Responsibilities arising from Other Regulatory Requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the IAS 570 "Going Concern" no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

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

Ferzan Ülgen, SMMM
Partner

March 3, 2017
Istanbul, Turkey

2016 BOARD OF DIRECTORS ANNUAL REPORT

1. GENERAL INFORMATION

| | |
|--------------------------------------|---|
| 1.1 Accounting Period of the Report | : January 01, 2016 -December 31, 2016 |
| 1.2 Trade Name of the Company | : Çimsa Çimento Sanayi ve Ticaret A.Ş. |
| Trade Register Number of the Company | : Istanbul Registry of Commerce, 708500 |
| Mersis Number of the Company | : 0257 0035 2450 0014 |
| Website of the Company | : www.cimsa.com.tr |

1.3 Capital

The Company is subject to the registered capital system, and the registered capital ceiling is 200.000.000,-TL, and the paid up capital is 135.084.442,-TL.

1.4 Shareholding Structure

| SHAREHOLDER AND ADDRESS | SHARE RATE (%) | SHARE AMOUNT (TL) | NUMBER OF SHARES (ITEM) |
|--|----------------|--------------------|-------------------------|
| HACI ÖMER SABANCI HOLDING A.Ş. Sabancı Center Kule II Kat:22-26 4.Levent 34330 / İSTANBUL | 49,42 | 66.765.208 | 6.676.520.873 |
| AKÇANSA ÇİMENTO SANAYİ A.Ş. Kısıklı Cad. No:38 Altunizade-Üsküdar / İSTANBUL | 8,98 | 12.130.560 | 1.213.056.000 |
| ADANA ÇİMENTO SANAYİ A.Ş. Ceyhan Yolu Üzeri P.K.10 ADANA | 5,11 | 6.908.993 | 690.899.259 |
| Other | 36,49 | 49.279.681 | 4.927.968.068 |
| TOTAL | 100,00 | 135.084.442 | 13.508.444.200 |

1.5 Privileged Shares and Voting Rights

None.

1.6 Board of Directors

| | |
|------------------------|----------------------|
| Mehmet HACIKAMİLOĞLU | : Chairman |
| Seyfettin Ata KÖSEOĞLU | : Deputy Chairman |
| Serra SABANCI | : Member |
| Bariş ORAN | : Member |
| Hasan Cihat ERBAŞOL | : Independent Member |
| Mehmet KAHYA | : Independent Member |

At the Ordinary General Assembly Meeting held on March 26, 2015, an election was made again for the memberships of Board of Directors and their term of office was designated as three years until the Ordinary General Assembly Meeting to be held in 2018, where activity results for 2017 will be discussed.

Mehmet HACIKAMİLOĞLU was elected on February 17, 2016 for the membership that became vacant upon Mustafa Nedim BOZFAKIOĞLU's resignation in order to complete the remaining term and for submittal for the approval of the partners at the first General Assembly meeting.

The membership of Board of Directors of Mehmet HACIKAMİLOĞLU was approved at the Ordinary General Assembly Meeting which was held on March 28, 2016.

1- GENERAL INFORMATION (CONT.)

1.6 Board of Directors (Cont.)

As the result of the negotiations carried out for the assignment of duties, Mehmet HACIKAMİLOĞLU was appointed as the Chairman and Seyfettin Ata KÖSEOĞLU was appointed as the Deputy Chairman.

As stated also in the Company Articles of Association, the Board of Directors consists of six members elected in accordance with Turkish Commercial Code and Capital Market Law. There are two independent members among those elected at the General Assembly.

The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of Capital Market Law and Turkish Commercial Code.

1.7 Auditor

With respect to appointment of an Auditor under Article No. 399 of TTK and in accordance with the principles designated pursuant to Turkish Commercial Code No. 6102 and Capital Market Law No. 6362, which were submitted to the General Assembly with the recommendation of the Board of Auditors and upon the suggestion of the Board of Directors; it was approved at 2015 Ordinary General Assembly Meeting held on March 28, 2016 that Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) based in Istanbul to be hired for auditing of the financial reports of our company for 2016 operating period and for performing other activities under relevant regulations in said laws.

1.8 Senior Managers

| | |
|-----------------|---|
| Nevra ÖZHATAY | General Manager |
| Bilgen ÇAĞLI | Assistant General Manager (Corporate Development and Human Resources) |
| Ülkü ÖZCAN | Assistant General Manager (White Cement and Special Products Sales and Marketing) |
| Önder KIRCA | Until March 31, 2016 (*) |
| Şahap SARIER | Assistant General Manager (Grey Cement Sales and Marketing)** |
| Gürol ÖZER | Assistant General Manager (Cement Operations and Investments) |
| Baran ÇELİK | Assistant General Manager (Finance and Financial Affairs)*** |
| Ümit ÇETİN | Assistant General Manager (Purchasing and Logistics) |
| Caner TÜRKYENER | Assistant General Manager (Ready Mixed Concrete) |
| Cem TALAY | Assistant General Manager (Grey Cement Sales and Marketing) |
| Mutlu DOĞRUÖZ | General Manager (Afyon Çimento) |

(*) Assistant General Manager (Ready mixed concrete) position that became vacant upon the resignation of Önder KIRCA has been filled by Şahap SARIER by proxy as of April 1, 2016.

** Assistant General Manager (Grey Cement Sales and Marketing) position that became vacant upon the resignation of Şahap SARIER will be carried out by Cem TALAY as of January 16, 2017 and Assistant General Manager (Ready mixed concrete) position that has been carried out by TALAY by proxy will be filled by Caner TÜRKYENER.

*** He retired from his office on February 28, 2017.

1.9 Restraint of Transaction and Competition with Company

During the period, the members of the Board of Directors have not performed any actions that may be categorized as carrying out transactions with or competing against the company.

2. COMPLIANCE REPORT

2.1 DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE CONDITIONS

Çimsa Cement Endustry and Trade Limited Corporation (herein after will be referred as the Company) carries out continuous effort to comply with the "Corporate Governance Compliance Report" declared by Capital Markets Board. In this context, the compliance with the necessary conditions required by Corporate Governance Declaration which was published and has been effective since January 3, 2014 is completed. Most of the unnecessary conditions are also currently being complied with. We are working on the remaining small unnecessary part which we have not complied yet due to our structure of governance and high cost of compliance.

2. COMPLIANCE REPORT (CONT.)

2.2. SHAREHOLDERS

2.2.1. Investor Relations Unit

The assignments pertaining to execution of General Assembly Meeting of the Shareholders, utilization of the rights of shareholders, processes of stocks and provision of information-in-demand for the shareholders have been made. The assigned personnel are in charge of following the regulations of capital markets, conducting the relations with shareholders, keeping the records of capital increase and shareholders, informing the public and providing information for the shareholders about the company, including the websites. The shareholders' demands of information about capital increase, attendance to general council meetings are responded in verbal, written and digital forms (e-mail) with the exception of issues that are secret or confidential in business terms. The website has been updated for the investors to get regular information about the company and have access to whatever information they want. Investors' demands of information have been responded in time. These duties are currently being carried out by the relevant personnel in the department, Ömer Faruk TULUM and Mehmet KOÇ both of whom have SPL level 3 Corporate Governance Rating Licences with the number 702546. The information pertaining to their area of their work can be obtained via e-mail from o.tulum@cimsa.com.tr or me.koc@cimsa.com.tr, via telephone, 0(216) 554 70 42 or 0(216) 554 70 64 or sending a fax to the number, 0 (216) 651 14 15.

The company is attentive and careful about taking every necessary measure to guarantee the satisfaction of the investors. Within the year 2016, 55 personal and group meetings have been carried out which include domestic and international conferences and roadshows. Furthermore, 45 shareholders have applied to the department for information about premium payouts, attendance to General Council Meetings and other relevant issues to shareholders and all of these applications have been responded in verbal and written forms.

2.2.2 Utilization of Right to Information by Shareholders

The attendants of the latest General Council, the shareholders who register their names on the attendance sheet, the ones who reach us via e-mail or telephone and those who come in person are informed about financial and administrative issues. In order to expand the shareholders' right to information and provide a healthy exercise of this right the relevant information and documents alongside with financial statements are loaded to our official website (www.cimsa.com.tr) and kept updated. The information and documents are both in Turkish and English and provided within times required by law. In the year 2016, demands for information pertaining to past term capital increases, dividend payment declarations, stock exchange and transition to registration system were provided via e-mail, telephone and fax or in person. Nine shareholders were provided information in written form about the stoppage on the premiums. In addition, twelve activity reports were demanded and provided via e-mail. Shareholders can obtain information about the Company over the web site (www.cimsa.com.tr), our specific declarations on Public Disclosure Platform (www.kap.gov.tr) and our newspaper advertisements. There is no verdict about auditor specific in Company's articles of partnership.

2.2.2 Utilization of Right to Information by Shareholders (Continued)

In the year 2016, there has been no demand on this issue from the shareholders.

2. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE CONDITIONS

2.2. SHAREHOLDERS (CONTINUED)

2.2.3 General Assembly Meetings

The Company issues the invitations of General Assembly Meetings in line with Trade Law, Capital Markets Board regulations and Articles of Partnership.

On March 28, 2016 the Ordinary General Assembly Meeting was held with a quorum of 75,45 %. The results of the meeting were registered officially and declared on commercial registry gazette as of April 8, 2016. The results of the Ordinary General Assembly Meeting were also declared on Public Disclosure Platform (KAP), the Company web site (www.cimsa.com.tr) and on the Company's page within Central Registry Agency (MKK), therefore were submitted to the information of our shareholders.

2. COMPLIANCE REPORT (CONT.)

Those who wanted from among shareholders attended the General Assembly Meeting either physically or electronically upon completing the required formalities. The invitations of General Assembly Meetings were made in line with Trade Law and Articles of Partnership and their execution was approved by the Representative of the Ministry. The declaration and agenda of the General Assembly Meeting were declared on Public Disclosure Platform (KAP), the information portal of Central Registry Agency (MKK), the Company's web site Commercial Registry Gazette prior to General Assembly Meeting. During the meeting, the stakeholders were entitled to ask questions and provided with relevant information. The shareholders were also informed about the total donations made, 431.696, - Turkish Lira, for the term 2015. The limits of donations to be made for the year 2016 were added as a separate article in the agenda. An activity report containing the activities of the previous year was made and handed out to the attending shareholders.

The important decisions that are included in Turkish Trade Law are submitted to the approval of the shareholders in the General Assembly Meeting. As the legal compliance with corporate governance conditions is carried out, all the important decisions in the changing law will be submitted to the approval of shareholders in the General Assembly Meeting.

In the article 1527 of the Turkish Trade Law with the law number 6102 and the date January 13, 2011, it is stated that electronic attendance to general assembly meetings of the corporations, making statements and proposals bring all the legal responsibilities of physical attendance. The same article also adjudicates that electronic attendance and voting has been made a necessary option for companies quoted in the stock exchange.

The regulation made by The Ministry of Customs and Trade entitled "The Regulation Pertaining to General Assembly Meetings Held in Electronic Medium at Corporations" (EGKS Regulation) identifies the articles of the implementation of the article 1527 of the Turkish Trade Law. The regulation was declared on the Official Gazette numbered 28395 on August 28, 2012. "The Declaration on the Electronic General Assembly Meeting System which will be Implemented by Corporations" which regulates the principles and methods on the installation and execution of electronic General Assembly Meeting and the security and technicalities that pertain to the meetings was published on Official Gazette numbered 28396 on August 29, 2012. The relevant regulations have been effective since October 1, 2012.

The 3rd sub-clause of the 5th article of The Regulation Pertaining to General Assembly Meetings Held in Electronic Medium at Corporations states that the companies quoted to stock exchange are required to carry out the electronic attendance, assigning representative, making statements and proposals through the Electronic General Assembly Meeting System (EKGS) provided by Central Registry Agency (MKK)

The articles 415 and 417 of Turkish Trade Law prescribe important changes about the General Assembly Meetings of the corporations whose shares are monitored and recorded by Central Registry Agency (MKK).

In line with the 13th article of the Capital Markets Board, the list of shareholders who will be monitored and recorded and can attend the General Assembly Meeting will be prepared in line with "Chart of Shareholders" regulated by the first sub-clause of the article 417 of Turkish Trade Law.

Persons who attend the meetings in person should provide and identity card and those who represent legal entities should provide a document of representation and this is be the only condition of attendance.

Paragraph 4 in article 415 of TTK stipulates that the right to participate and vote in the general assembly meeting cannot be dependent on the condition of receiving a document proving shareholding or storing of the share certificates "in advance". The new TTK has terminated the blockage system that was previously implemented in capital markets.

The system of granting proxy via notary, which was implemented in the previous TTK period, is preserved alternatively. Nevertheless, a legal novelty has been brought with the EGKS Regulation, which will make serious contributions to general assembly meeting practice, such as assigning the proxy electronically over EGKS. Electronically assigned proxy can participate in the general assembly meeting electronically, or physically as a proxy. The list that includes the shareholders, which can be obtained by the Company from MKK over EGKS, shall also contain the information about proxy granted via EGKS (such as proxy's name). A proxy electronically assigned via EGKS does not have to present a physical proxy document.

2.2.4 Voting Rights and Minority Rights

There is no privileged voting right in the Articles of Association. No regulation has been made in the Articles of Association regarding the use of cumulative votes. No such action was taken on grounds that granting cumulative voting rights with the current partnership percentages and structure would harm the Company's harmonious management structure.

2. COMPLIANCE REPORT (CONT.)

2.2.5 Dividend Rights

Dividend distribution of the Company is regulated in Article 26 of the Articles of Association. Accordingly, after the mandatory taxes are deducted from the gross profit, the dividends are distributed from the remaining net profit at the ratio to be proposed by the Board of Directors and to be approved by the General Assembly, within the framework set in the Articles of Association and also considering the legal reserves and the CMB legislation. The dividend distribution in our Company is implemented within legal deadlines. As the dividend distribution policy, our Company has adopted the principle of “distributing a minimum 50% of the profit distributable to partners”. This policy may be annually reviewed by the Board of Directors depending on the national and global economic conditions, the projects on agenda, and the status of the funds. There is no privilege in dividend distribution.

2.2.6 Assignment of Shares:

There are no provisions in the Articles of Association that restrict the assignment of shares.

2.3 PUBLIC DISCLOSURE AND TRANSPARENCY

2.3.1 The Website of the Company and its Content

It is under the power and responsibility of the Board of Directors to monitor, supervise, and develop the public disclosure and information policy of Çimsa Çimento Sanayi ve Ticaret A.Ş. The Information Policy was formed and approved by the Board of Directors within the framework of CMB Corporate Governance Principles, it was declared to the public on April 30, 2009 with a Material Disclosure and it has been published on (www.cimsa.com.tr) since then. The Information Policy was submitted to shareholders' information at the Extraordinary General Assembly Meeting held on August 28, 2009. As required by this policy, the independently audited 6th and 12th month financial statements and non-audited 3rd and 9th month financial statements are disclosed to the public.

The consolidated reports, which were prepared in accordance with International Financial Reporting Standards (IFRS-IAS) and Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”), were disclosed to the public within the periods specified by CMB.

Disclosure of information regarding the Company is carried out throughout the year through press releases, e-mail messages, telephone communication, and interviews with media organizations and news agencies.

Furthermore, it is possible to access via the website in the scope of the Information Policy, as advised by CMB Corporate Governance Principles.

The company has a website (www.cimsa.com.tr). The content of our website is being developed in line with Turkish Commercial Code, the Regulations on the Websites of Companies, the Corporate Governance Principles of CMB, and the wishes of the users. The persons and institutions willing to get information about our company may access such information through our website. The reports and documents pertaining to the last 5 years, which we have published also on the Public Disclosure Platform pursuant to Communiqué on Material Disclosures of CMB (II-15.1), can be found on the website in Turkish and English as follows, under the heading “Investor Relations”.

The sub-headings, viewable the heading “Investor” on the website are as follows:

- Detailed information on corporate identity (Basic Information about the Company)
- Consolidated Financial Statements
- Annual Reports
- Material Disclosures
- Information Society Services;

These headings cover the following sections:

Shareholder Structure
Board of Directors
Board Committees
Articles of Association

2. COMPLIANCE REPORT (CONT.)

Trade Registry Information

Information Policy

Dividend Distribution Policy

Corporate Governance Compliance Report

Information about General Assembly

Annual Reports

All Financial Information

Decisions of the Board of Directors

Material Disclosures

Investor Relations

Frequently Asked Questions

Our website contains information on Corporation, Sustainability, Cement, Ready-Mixed Concrete, Aggregate, Investors, Corporate Development, Media, and Contact.

2.3.2 Annual Report

The information stated in Corporate Governance Principles were disclosed in the annual report prepared in December.

2.4 BENEFICIARIES

2.4.1 Informing the Beneficiaries

Information is provided to all beneficiaries in the form of periodical public disclosures and material disclosures via Public Disclosure Platform (KAP), as required by relevant legislation. Issues such as ordinary and extraordinary general assembly meetings and profit distribution are announced with newspaper advertisements as required by relevant legislation and the Articles of Association of the Company. Moreover, information is provided also through press conferences, press releases, and the interviews made with media organizations.

Furthermore, the Company employees are informed by means of the quarterly Company newsletter, information sent via e-mails, in-house trainings, via Çimsa Portal, and with annual briefing meetings.

In addition to the annual meetings and promotions, the customers are informed also through training and seminars.

The partners are informed simultaneously in an accurate and comprehensible manner, except for the information qualifying as classified and trade secret.

The Company has established the necessary mechanisms in order to allow the beneficiaries to report the illegitimate and ethically inappropriate procedures of the Company to the Corporate Governance Committee or the Audit Committee.

2.4.2 Participation of Beneficiaries in Management

At least once a year, meetings are held with employees where activities of the previous year are evaluated and the targets for the next year are shared and feedback is received.

Within the scope of business excellence, learning organization activities and the suggestion system, team work is encouraged and project teams are encouraged to participate in matters concerning the Company such as goal-setting, process improvement and investments.

Participation of partners in Company management is ensured through Ordinary and Extraordinary General Assembly Meetings.

Participation of customers in Company management is ensured through dealer meetings and customer loyalty surveys.

2. COMPLIANCE REPORT (CONT.)

2.4.3 Human Resources Policy

The Corporate Development and Human Resources vision of the Company is to create a culture of high performance, and its mission is to ensure the organizational change and development. In this context, an effective and regular structural performance management is executed with individual business and competence goals, which are specified in line with the company strategy and goals. Policies aimed at organizational change and development are planned and implemented in a context of increasing the Company's competitiveness and ability to meet changing needs.

The issues concerning unionized (in-scope) employees at the Company are managed within the scope of the Group Collective Bargaining Agreement in effect. Moreover, there are departments such as Employee Representation, Corporate Development and Human Resources, Corporate Communications, Code of Ethics Counsel and Occupational Health and Safety within the organizational structure in order to maintain the relations with all employees, as well as detailed, written and up-to-date regulations and procedures that cover the arrangements and practices regarding business life.

There have been no complaints from Çimsa employees about discrimination regarding the Company.

2.4.4 Code of Ethics

Code of business ethics has been established and implemented at our Company. Code of business ethics has been published on the website and announced to the public. Informing the employees on these rules is ensured by publishing them on the Company internal communications portal, handing out booklets to all employees and conducting briefing sessions. Moreover, the employees update their knowledge on code of business ethics with an e-learning program at the end of each year and renew their commitment to the code of business ethics with the "Code of Business Ethics Compliance Statement" that they complete.

2.5 BOARD OF DIRECTORS

2.5.1 Structure and Formation of the Board of Directors

Board of Directors

| | |
|------------------------|----------------------|
| Mehmet HACIKAMILOĞLU | : Chairman |
| Seyfettin Ata KÖSEOĞLU | : Deputy Chairman |
| Serra SABANCI | : Member |
| Barış ORAN | : Member |
| Hasan Cihat ERBAŞOL | : Independent Member |
| Mehmet KAHYA | : Independent Member |

At the Ordinary General Assembly Meeting held on March 26, 2015, an election was made again for the memberships of Board of Directors and their term of office was designated as three years until the Ordinary General Assembly Meeting to be held in 2018, where activity results for 2017 will be discussed.

Mehmet HACIKAMILOĞLU was selected on February 16, 2016 for the membership that became vacant upon Mustafa Nedim BOZFAKIOĞLU's resignation in order to complete the remaining term and for submittal for the approval of the partners at the first General Assembly meeting.

As the result of the negotiations carried out for the assignment of duties, Seyfettin Ata KÖSEOĞLU was appointed as the Chairman of the Board of Directors.

At the Ordinary General Assembly Meeting held on March 28, 2016, Mehmet HACIKAMILOĞLU was elected as a member of executive board.

As the result of the negotiations carried out for the assignment of duties, Mehmet HACIKAMILOĞLU was appointed as the Chairman of the Board of Directors and Seyfettin Ata KÖSEOĞLU was appointed as the Vice Chairman of the Board of Directors.

As the result of the negotiations carried out for the assignment of duties, the Chairman was appointed as the Vice Chairman.

2. COMPLIANCE REPORT (CONT.)

As stated also in the Company Articles of Association, the Board of Directors consists of six members elected in accordance with Turkish Commercial Code and Capital Market Law. There are two independent members among those elected at the General Assembly.

There is one female member in the Board of Directors.

Chairman Mehmet HACIKAMİLOĞLU and Deputy Chairman Seyfettin Ata KÖSEOĞLU act as executive members in the Board of Directors.

The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of Capital Market Law and Turkish Commercial Code.

2.5.2 Operating Principles of the Board of Directors

Çimsa Board of Directors consists of 6 members to be elected by the General Assembly, as stated in the Articles of Association. There are two independent members among those elected at the General Assembly. The members of the Çimsa Board of Directors are elected for a maximum period of three years as stated in the Articles of Association of the Company, and the members whose term has expired may be re-elected. The members of the Board of Directors elect a Deputy Chairman to act as his/her deputy in his/ her absence, as stated in the Articles of Association. The Board of Directors convenes at least once in three months (as required by the Articles of Association) to discuss the results of the monthly operations.

The agenda of the Board of Directors meetings is determined and proposed by the General Manager of the Company. Assistant General Manager for Finance undertakes the task of general secretariat and ensures the members of the Board of Directors are informed and maintains communication.

The Board of Directors convened 20 times in 2016 and made 37 decisions.

The quorum stipulated by Turkish Commercial Code is exercised for decisions and meetings of the Board of Directors.

At the meetings held in 2015, the members of the Board of Directors expressed no opinions opposing the decisions made. No records were made since the members of the Board of Directors did not have any questions or different opinions. The members of the Board of Directors are not entitled to weighted votes and/ or the right to veto in regard to the said decisions. Moreover, there was not any Board of Directors decision, which was submitted for the approval of independent members of the Board of Directors but not approved by independent members, and thus submitted for the approval of the General Assembly regarding relevant party transactions and transactions of important nature.

2.5.3 The Number, Structure and Autonomy of the Committees Formed in the Board of Directors

An Audit Committee, a Corporate Management Committee, and a Committee for Early Risk Detection, which are affiliated to the Board of Directors, were formed from among non-executive independent members of the Board of Directors. The committee meetings are held at least four times a year, at a venue and date to be deemed suitable by the Committee Chairman. In the execution of their activities, each Committee follows its own Regulation on Meeting and Operation Principles.

The committee members are elected from among independent members to benefit from their global experience and knowledge. Due to the limited number of independent members in the Board of Directors, the independent members of the Board of Directors were assigned to multiple committees.

In 2016, there were no conflicts of interest due to the existing member structures of the committees.

2.5.4 Risk Management and Internal Control Mechanism

The main function of the Internal Audit Department is to provide independent and objective assurance and consultancy services to Çimsa Çimento San. ve Tic. using International Internal Audit Standards. Serving under the Audit Committee, which consists of the members of the Board of Directors, the Internal Audit Department protects the rights and interests of the Company, and conducts audits, investigations, and examinations to develop recommendations against risks inside and outside the Company. To that end, it performs the below-mentioned duties in order to contribute to the Company's growth, development, and institutionalization:

a) Auditing the compliance of the internal control systems of all units within central and field organizations and the international terminals, warehouses, and establishments of the Company with corporate governance principles and code of ethics, and the adequacy and effectiveness of risk management practices; drawing up audit plans and programs and implementing these according to a pre-prepared schedule,

2. COMPLIANCE REPORT (CONT.)

- b) Monitoring the practices related with audit reports and ensuring that the operations and procedures are conducted in the frame of the agreement provided and the instructions of the Headquarters,
- c) Conducting examinations, researches and investigations related with the special duties assigned by the Chairmanship of the Board of Directors, the Audit Committee and the General Manager; presenting the results to the relevant authority as a report,
- d) Supervising the implementation of Company regulations, procedures, circulars, and department-specific instructions, ensuring their effect and making suggestions on points that need to be corrected,
- e) Monitoring that the operations and transactions of all departments are carried out in compliance with directives such as the decisions of the Board of Directors, plan and budget targets, legislation, regulations, procedures, circulars, instructions, etc.,
- f) Carrying out financial and economic analyses of the operations and transactions performed and developing suggestions to increase savings and efficiency,
- g) Informing the Audit Committee continuously about the audit activities and the adequacy of internal control system; implementing their requests and suggestions related with the issue,
- h) Providing consultancy and support services for senior management and the Board of Directors by conducting advisory studies for objectives that provide added value, such as assisting the Company in achieving its targets, increasing the stock value, improving corporate processes and operations, enhancing the service quality and customer satisfaction, etc.

It was resolved by the Board of Directors that the Internal Audit Manager should report to the Audit Committee.

Additionally, in line with Corporate Governance Communiqué of Capital Market Board (II-17.1), a Committee for Early Risk Detection was formed for the early detection of all kinds of strategic, operational, financial and other risks that may endanger the Company's existence, development, and progress, for the implementation of the necessary measures and remedies for such risks, and for managing the risks.

2.5.5 Strategic Objectives of the Company

Primary strategic objectives:

Achieving operational excellence: Setting goals in all functions of the value chain - starting from raw material procurement to production, sales and distribution - and in the management processes; following these goals through key performance indicators; making continuous improvements in the performance process; establishing a corporate knowledge/data base; taking necessary precautions by closely following the cash flow on the basis of scenarios; and ensuring operational excellence by managing all these activities with a "systems approach" discipline.

Becoming a sustainable company: Creating long-term value for both our stakeholders and for our company, starting with the stakeholders who are affected the most socially and environmentally from our activities, and effectively managing the communication with all our stakeholders in order to make such effects more positive. Integrating the understanding of sustainable development into the everyday life of all Çimsa family, consisting of our employees, customers, suppliers and local neighbors.

Becoming customer-oriented and market-oriented: Listening to and understanding the needs and demands of customers by making the market and customers the focal point of the activities, thus creating added value for all customers and becoming a business partner preferred by the customers.

Growing profitably: Growing sustainably by making new investments in new and appealing markets that will create synergy with Çimsa's existing operations, in a way that will add value to the other primary objectives of the company.

2.5.6 Financial Rights

According to the Articles of Association, all kinds of rights, benefits, and remuneration granted to members of the Board of Directors are determined by the General Assembly. A total (gross) payment of 84,000 TL was made to members of the Board of Directors in 2016. In 2016, the Company did not borrow money to any of the members of the Board of Directors and managers; did not extend any loans; did not provide loan facilities to them through the medium of a third person under the name of "personal loan" and did not provide any security for them such as warranty.

The total sum of remuneration and similar benefits provided for senior management such as the general manager, general coordinator and assistant general managers in the current period amounted to 7.283.063 TL.

3. COMPANY ACTIVITIES AND KEY DEVELOPMENTS IN OPERATIONS

3.1 Partnership, Subsidiaries & Long Termcurities of the Company

| Company | Places of Business | Share Ratio (%) |
|---|--------------------|-----------------|
| Çimsa Mersin Free-zone Branch | Mersin | 100,00 |
| Çimsa Cementos Espana, S.A.U. | Spain | 100,00 |
| OOO Çimsa Rus CTK | Russia | 100,00 |
| Çimsa Cement Free-Zone Limited | T.R.N.C. | 99,99 |
| Cimsarom Marketing Distributie S.R.L. | Romania | 100,00 |
| Cimsa Adriatico Srl | Italy | 70,00 |
| Cement Sales North GmbH (CSN) | Germany | 100,00 |
| Afyon Çimento Sanayi Türk Anonim Şirketi | Turkey | 51,00 |
| Exsa Export San. Man. Sat. ve Arş. A.Ş. | Turkey | 32,88 |
| Mesbaş Mersin Serbest Böl. İşl. A.Ş. (Mesbaş) | Turkey | 0,41 |
| Anfaş Antalya Fuarçılık A.Ş. (Anfaş) | Turkey | 0,02 |

3- COMPANY ACTIVITIES AND KEY DEVELOPMENTS IN OPERATIONS (CONTINUED)

3.2 Information on the Company's Own Shares Acquired:

Our Company did not acquire its own shares between January 01, 2016 and December 31, 2016.

3.3 Lawsuits against the Company with Possible Financial Impact on Company:

As of December 31, 2016, pursuant to the opinions of legal advisors, the Company reserved a provision of 13.952.900 for lawsuits that may results against the Company (December 31, 2015: 12.780.141TL).

3.4 Administrative or Legal Sanctions Imposed Upon the Company and the Members of the Managing Body due to the Practices against the Legislation Provisions

Between January 01, 2016 and December 31, 2016, there were no administrative or legal sanctions imposed upon the company and members of the managing body due to practices against the provisions of the legislation.

3.5 Information and Evaluation on Whether Goals Set in Previous Periods Have Been Achieved, Whether General Assembly Decisions were Implemented, and on Reasons Regarding Failure to Achieve Said Goals or Failure to Implement Said Decisions:

Production and sales amounts for 2016 and, concordantly, consolidated gross profit and consolidated operating profit were above the figures set as goals for 2016. The decisions made at the Ordinary General Assembly Meeting held on March 28, 2016 were implemented.

3.6 Information on Ordinary/Extraordinary General Assembly Meetings Held in the Period:

The Ordinary General Assembly Meeting for 2015 was held on March 28, 2016. The results of the meeting were registered on April 08, 2016 and published in Turkish Trade Registry Gazette on April 14, 2016. The results of the Ordinary General Assembly Meeting were published for the information of the partners on Public Disclosure Platform (KAP), on our company website (www.cimsa.com.tr) and on our Company page at the information portal of Central Registry Agency (MKG).

No Extraordinary General Assembly Meetings were held between January 01, 2016 and December 31, 2016.

3.7 Donations Made in the Period:

Between January 01, 2016 and December 31, 2016, a total of 1.206.076 TL donations in cash and in kind was made to various public institutions and organizations.

4- FINANCIAL POSITION

4.1 Measures Considered for Improving the Financial Structure of the Company:

Under current market conditions, Çimsa conducts action plans aimed at the active management of working capital, and carries out profit-increasing and cost-reducing infrastructure and marketing investments and activities. The company manages its financial structure in accordance with procedures by planning current TL and foreign currency cash inflows and requirements

4.2 Key Financial Ratios:

| | Consolidated 31.12.2016 | Consolidated 31.12.2015 |
|---|----------------------------|----------------------------|
| Net Business Capital = Current Assets – Current Liabilities | (330.182.731) | 242.859.945 |
| I-Liquidity Ratios: | | |
| 1-Current Ratio = Current Assets / Short Term Liabilities | 0,64 | 1,57 |
| 2- Liquidity Ratio = Current Assets-Stocks-Prepaid Expenses – Assets Related to the Current Tax - Other Current Assets / Short Term Liabilities | 0,39 | 1,31 |
| II- Financial Structure Ratios: | | |
| 1-Total Liabilities / Shareholders' Equity | 0,94 | 0,58 |
| 2-Short Term Liabilities / Total Assets | 0,36 | 0,21 |
| 3- Long Term Liabilities / Total Assets | 0,11 | 0,13 |

4.3 Revenues:

Between January 01, 2016 - December 31, 2016, the domestic sales turnover decreased by 3% compared to same period of the previous year and amounted to net 876 million TL. The overseas sales turnover increased by 5% and amounted to net 396 million TL. Thus, total revenues for 2015 decreased by 0.07% compared to the previous year and stood at 1,170 million TL.

5. AMENDMENTS MADE IN ARTICLES OF ASSOCIATION DURING THE PERIOD

In Article 6 of the Articles of Association of the Capital Markets, for the extension of the registered capital ceiling permit until the end of 2020, the Capital Markets Board dated 18 January 2016, 29833736-110.03.02-6.536, T.C. The text of the amendment approved by the Ministry of Customs and Trade with the authorization letter 67300147-431.02 dated January 28, 2016 was accepted at the Ordinary General Assembly meeting dated 28 March 2016 and the registration was announced on April 14, 2016 in the Turkish Trade Registry Gazette dated 14 April 2016.

6. IF ANY, QUALITY AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS

There are no capital market instruments issued.

7. PROJECTIONS ON DEVELOPMENT OF BUSINESS

Çimsa, a member of Sabancı Cement Group, enriches the ordinary strategic planning process with a scenario-based approach. In the most basic sense, scenario-based strategic planning refers to developing the necessary strategic options to succeed in possible future scenarios. Thus, Çimsa will identify the best strategic orientation for each possible scenario in the future instead of a future-based planning established upon a single projection. This advantage gives Çimsa flexibility in terms of preparation and planning for future.

8. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY

Mersin Plant

At Çimsa Mersin Plant, grey clinker/cement, white clinker/ cement, calcium aluminate clinker/cement are produced with four production lines in total. Çimsa Mersin Plant is the only plant in the world that can produce three different cements under the same roof, which are white cement, calcium aluminate cement and grey cement. Grey clinker production capacity is 1,25 million tons/year, white clinker production capacity is 1,22 million tons/year and calcium aluminate clinker production capacity is 45 thousand tons/year.

The plant's first production line, which started production in 1975, has a rotary kiln line without calcination with a diameter of 5.25 m and a length of 83 m. In 1983, in order to save on fuel costs, it was modernized with the addition of coal grinding and burning systems. There are two crushers, one prehomogenization unit, two raw material ball mills, two raw meal silos, and two closed clinker stock halls at the plant. With the modernization work completed in the first quarter of 2010, the existing planetary clinker cooling system was replaced and a cross-bar cooling system was installed. With this investment, the production capacity reached 3,700 tons/day and the heat consumption required for clinker production was reduced.

The rotary kiln with 3.6 m diameter and 49 m length of the plant's second production line, which can produce both grey clinker and white clinker, was commissioned in December 1989. The facility consists of a raw material mill with crushers and pre-homogenization systems, one coal mill, two raw meal silos, the rotary kiln and the clinker stock hall.

The production capacity of this facility, which can produce both grey clinker and white clinker according to sales demand, is 1,845 tons/day for grey clinker and 1,470 tons/day for white clinker.

At Çimsa Mersin Plant, the waste gases from the 1st and 2nd production lines of the plant are used for generating electrical energy with the "Project for Generating Electricity from Waste Gas" commissioned in April 2012, and it is aimed to produce 50% of the electricity consumed at these two lines. In addition, the environment is protected with less carbon emission.

Hacı Sabancı White Cement Production Facility (Plant's Third Production Line) commissioned in December 1999 has a rotary kiln with 3.75 m diameter and 57 m length and with a production capacity of 2,000 tons/day. The facility consists of a raw material mill with crusher and pre-homogenization system, one coal mill, one raw meal silo, the rotary kiln and the clinker stock hall.

This production line, operating as CAC Facility in short, was commissioned in 2002 with a kiln with 15,000 tons/year capacity.

The production continued to grow in 2007 with a second kiln with 15,000 tons/year capacity, a cement mill with 9 tons/hour capacity and a packaging unit. With the packaging unit built in 2009, the products are supplied to the customers in 25 kg bags, on pallets and in 1.5 and 1.0 ton big-bags. A third kiln with 15,000 tons/year capacity was added to the system in 2013, increasing the total capacity to 45,000 tons/year. In 2014, as required by the strategy of growing in the market, segmentation was implemented and a new product called CACSAND, which is Calcium Aluminate Clinker Aggregate, was launched.

Paper Bag Facility

Paper bags, produced at the paper bag facility at Mersin Plant, are used at Mersin, Kayseri, Niğde, Eskişehir and Ankara Plants.

Kayseri Plant

Çimsa Kayseri Plant was built in 1992 by Akçimento, one of Sabancı Holding companies, with 1,6 million tons of cement grinding capacity and was acquired by Çimsa in 1995. In 2005, a pre-crusher system was added to the cement mill in order to increase the cement grinding capacity and to reduce energy consumption. In order to turn the existing facility into an integrated cement plant, the foundations of a clinker production line were laid on October 9, 2004, and following the completion of the construction, installation and commissioning operations, the first clinker production was made on December 26, 2005. The facility uses state-of-the-art technology, and has an ILC type pre-calcination system with low NOx emission as the main unit, a five-stage cyclone pre-heater and a rotary kiln with 55 meters' length and 3.6 meters' diameter.

8. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONT.)

The clinker production capacity of the facility is 2,500 tons/day, and the facility has one raw material crusher, pre-homogenization facilities for clay and limestone, one coal ball mill, one vertical raw mill and two cement ball mills.

As a successful outcome of Çimsa's approach of respect for environment and sustainability, in 2012, Çimsa Kayseri Plant was selected as the cleanest industrial establishment of Turkey and awarded the Environment Certificate by the Ministry of Environment and Urbanization at "Clean Turkey" activities carried out in the scope of June 5 World Environment Day, and it was also selected as "The Cleanest Industrial Establishment in Kayseri" by Governorship of Kayseri.

In addition, Çimsa Kayseri Plant was awarded the Occupational Health and Safety Performance Award in 2009-2011 and 2012 as the result of the evaluations carried out by ÇEİS (Cement Industry Employers' Union) in cement industry.

Eskişehir Plant

Eskişehir Cement Plant was commissioned in 1957 with a 3.6 m diameter, 125 m long wet kiln with 150 thousand tons/year capacity and continued its production until 1987. The current first production line was commissioned in 1976 with a three stage pre-heater and a dry kiln with 3.6 m diameter and 52 m length with a capacity of 275 thousand tons/year, and the total capacity was increased to 425 thousand tons/year.

Eskişehir Plant was transferred from Saving Deposits Insurance Fund (TMSF) to Çimsa Çimento Sanayi ve Ticaret A.Ş. on December 27, 2005. After Çimsa took over the management, the production capacity reached 1,750 tons/day in May 2007 in the first production line with the investments for the dynamic separator for the raw material mill, the complete renewal of the existing clinker cooling system, the rotary kiln burner and dosage system and the new electro-filter units added to the kiln line.

In addition, a new closed circuit cement mill with a capacity of 85 tons/hour was commissioned. A completely new vertical coal mill system with a capacity of 40 tons/hour, which is able to serve both production lines, was commissioned in September 2007 and the previous coal systems were decommissioned.

In January 2008, the second production line with a capacity of 2,300 tons/day was commissioned and the total production capacity reached 4,050 tons/day. Eskişehir Cement Plant turned into a modern production facility with the raw material crusher and raw material pre-homogenization system built together with the second production line in January 2008 and the cement silos built in 2009, and currently three cement ball mills contribute to the production of the final product. With a view to become a leading company in Turkey in the matter of waste disposal, Çimsa implemented the Hot Disc Project at Eskişehir plant in 2012, and continues its efforts to recover 40% of its total calorific consumption from wastes by curbing the kiln process operation and the product quality by this means.

In 2015, Çimsa broke new ground and was entitled to receive TSE ISO 10 002 Customer Satisfaction Management System Certificate.

Niğde Plant

Established in 1957, Niğde Cement Plant started production in 1964 following the completion of its wet system production line with a capacity of 85 thousand tons/year. The plant's total production capacity was increased to 350 thousand tons/year with the commissioning of its second production line with dry system on September 2, 1976. Over the following years, the wet system clinker line, which completed its economic and technological life, was completely shut down, and the production continued with the dry system rotary kiln.

After the privatization of the plant, the capacity of the kiln increased from 850 tons/day to 1,200 tons/day following the investments made for the rotary kiln unit in 1993, such as the upper cyclone replacement, modernization of transport and replacement of electro-filter. As of November 1, 2007, Niğde Cement Plant was renamed as Çimsa Çimento San. ve Tic. A.Ş. Niğde Cement Plant, continuing its production under this name.

After it was acquired by Çimsa, numerous production and energy recovery improvements were made at Niğde Cement Plant and it currently has a clinker production capacity of 1,400 tons/day. In addition to the rotary kiln with a four-stage pre-heater and cross-bar cooler, a diameter of 3.8 m and a length of 52 m, the plant with a single production line has one hammer crusher, one raw meal ball mill, one vertical coal mill and one cement mill with roller press crusher system.

8. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONT.)

Ankara Cement Grinding and Packaging Facility

The construction of Ankara Lalahan Cement Grinding and Packaging Facility began in January 2001 and it was commissioned in July 2002. In 2005, it was included in Çimsa group together with Eskişehir Cement Plant. Ankara Plant does not have a rotary kiln, and the clinker supplied from other Çimsa Plants are ground, turned into cement and sold at Ankara Plant.

Ankara Cement Grinding and Packing facility has one raw material crusher, two cement silos and a packaging unit, as well as a cement mill with 85 tons/hour capacity.

Marmara Rota Port Cement Packaging Facility

Located at Kocaeli Yarımca Gulf Rota Port, Marmara Facility was leased by Çimsa in June 2008. It has an installed silo capacity of 5 thousand tons, and a bagged and bulk cement packaging/loading capacity of 100 tons/hour. Çimsa Super White Cement is shipped from the facilities in Mersin in bulk and stored in one horizontal silo with 5 thousand tons capacity. The white cement is sold both in bulk and in packages from Marmara Facility.

Malatya Cement Packaging Facility

Established in 1996 adjacent to Malatya Battalgazi Train Station, Malatya Cement Packaging Facility has a processing and packaging capacity of 60 thousand tons/year. There are three cement silos with a total capacity of 900 tons at the facility. The cement is sold both in packages and in bulk.

Afyon Plant

Afyon Cement Plant started production in 1957 with the commissioning of a wet system kiln with 2.8 m diameter and 69.5 m length with a capacity of 85 thousand tons. In 1965, clinker production capacity was increased to 160 thousand tons with the transformation of the kiln to semi-wet system. The 2nd kiln, again built as a semi-wet system, with 3.6 m diameter and 53.5 m length, was commissioned in 1966 and the production capacity of the plant increased to 400 thousand tons.

The current capacity of the plant reached 500 thousand tons with improvements made on different dates; and the plant has two hammer crushers, two raw meal ball mills, two coal ball mills and three cement ball mills.

51% of the shares of Afyon Çimento Sanayi Türk Anonim Şirketi was acquired by Çimsa on May 31, 2012, and since then the plant continues its operations as a subsidiary of Çimsa. It's planned to be moved Afyon Cement Plant to a new production facility equipped with modern technologies. A new plant is being built at Halımoru village, which is located outside of Afyon with an investment of 165 million USD.

8. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONT.)

Çimsa Facility Knowledge

| Production Lines | Clinker Production Capacity (Tons/Day) | Raw Mill Furnace (m) | Cooler Type | Mill Type |
|---------------------------------|--|----------------------|------------------------|---------------|
| Mersin Çimsa | | | | |
| Plant 1 | 3.700 grey clinker | 5,3 | Cross-bar Cooler | Ball Mill |
| Plant 2 | 1.845 grey clinker | 3,6 | Cross-bar Cooler | Roller Mill |
| or | | | | |
| Plant 3 | 1.470 white clinker | 3,6 | Cross-bar Cooler | Roller Mill |
| Plant 4 | 2.000 white clinker | 3,8 | Cross-bar Cooler | Roller Mill |
| 1 st Isıdaç 40 | 55 Isıdaç-40 clinker | | | |
| 2 nd Isıdaç 40 | 55 Isıdaç -40 clinker | | | |
| 3 rd Isıdaç 40 | 55 Isıdaç -40 clinker | | | |
| Kayseri Çimsa | | | | |
| Production Line | 2.500 grey clinker | 3,6 | Cross-bar Cooler | Roller Mill |
| Eskişehir Çimsa | | | | |
| 1 st Production Line | 1.750 grey clinker | 3,6 | Cross-bar Cooler | Ball Mill |
| 2 nd Production Line | 2.300 grey clinker | 3,6 | Cross-bar Cooler | Vertical Mill |
| Niğde Çimsa | | | | |
| Production Line | 1.400 grey clinker | 3,8 | Cross-bar Cooler | Ball Mill |
| Afyon Çimento Sanayi Türk A.Ş. | | | | |
| 1 st Production Line | 500 grey clinker | 2,8 | Cross-bar Cooler | Ball Mill |
| 2 nd Production Line | 950 grey clinker | 3,6 | Cross-bar Cooler | Ball Mill |
| Grinding Facility | Mill Production Capacity (Tone/Day) | Mill Diameter (m) | Mill Cement Length (m) | Mill Type |
| Ankara Çimsa | 2.040 | 4,2 | 13 | Ball Mill |

Production Amounts between January 01 - December 31, 2016:

| Clinker Production | | | Cement Production | | |
|-----------------------------------|------------------|-------------|----------------------------------|------------------|-------------|
| GREY CLINKER | 4.241.434 | TONS | GREY CEMENT | 4.524.707 | TONS |
| WHITE CLINKER | 1.222.415 | TONS | WHITE CEMENT | 1.026.850 | TONS |
| ISIDAÇ-40 CLINKER | 28.442 | TONS | ISIDAÇ-40 | 27.490 | TONS |
| SULPHATE RESISTANT CEMENT CLINKER | 46.279 | TONS | SLPHATE RESISTANT CEMENT CLINKER | 25.887 | TONS |
| TOTAL | 5.538.570 | TONS | TOPLAM | 5.604.934 | TONS |

8. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONT.)

Ready-Mixed Concrete Operations

Çimsa Ready-Mixed Concrete started its production in 1988 at Adana with Zeytinli Ready-Mixed Concrete facility. With its 28 ready-mixed concrete facilities operating at Adana, Mersin, Osmaniye, Kahramanmaraş, Kayseri, Nevşehir, Aksaray, Karaman, Konya, Bilecik, Adapazarı, Bursa, Eskişehir, Kütahya, Denizli and Afyon provinces, Çimsa has a widespread distribution network.

The company follows the technological and scientific developments closely and offers the developments to its customers as new products, new equipment pool and services. Experienced employees serve at the facilities, where 201 transit-mixers, 64 mobile and 5 fixed pumps are used.

With its distinguished customer-oriented approach, Çimsa provides special concrete products that meet the changing needs of its customers besides standard concrete.

Most of the admixtures used in Çimsa ready-mixed concretes are produced at Çimsa Admixture Producing Facility, which is CE-certified in compliance with TS EN 934-2 standard. The facility, which provides different products as super and hyper plasticizers, make a difference in terms of consistency of product quality.

Çimsa's 25 ready-mixed concrete facilities, which are members of Turkish Association of Ready-Mixed Concrete (THBB), have KGS and G certificates in compliance with TS EN 206 standard. All of our facilities undergo at least six product inspections and one comprehensive certification audit every year. In addition, Çimsa Ready-Mixed Concrete has ISO 9001:2008 International Quality Management System Certificate since 2003 it ensured the continuity of its Quality Management System in 2016 with its production in compliance with standards and with its internal audit and customer satisfaction activities.

Çimsa carries out its OHS activities at its ready-mixed concrete facilities in the frame of a management system compliant with TS 18001 standard, in order to raise occupational safety awareness, to control OHS risks and to define the conditions to be fulfilled for improving the OHS performance. All facilities have TS 18001:2008 (OHSAS) and TS EN ISO 14001-2004 (ENVIRONMENT) certificates.

Turkish Association of Ready-Mixed Concrete organized "Blue Helmet Safety at Work Contest" in order to inform the ready-mixed concrete facilities in the sector about occupational safety, to encourage them and to measure the competence of the facilities. All ready-mixed concrete facilities in our country were invited to this contest, which sets an example for many sectors. As the participation at least with two ready-mixed concrete facilities is obligatory, Çimsa showed one more time the importance that it gives to the occupational safety by participating with Çukurhisar and Silifke Ready Mixed Concrete Facilities.

9. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD

Cimsa Cement Sales North GmbH (Germany)

Cimsa Cement Sales North GmbH, which was established in 2000 in partnership with German Cement Terminals North GmbH and all shares of which were taken over by Çimsa in 2014, carries out white cement and Calcium Aluminate Cement marketing activities at North and West Europe with its bulk cement silo with 9,000 tons capacity. As well as marketing white cement and calcium aluminate cement in bulk to Germany, France and Benelux countries, it also makes sales in Norway, Denmark, Switzerland, Austria and Czech Republic. The headquarters of the company is in Hamburg, Germany; it carries out its operations with an administrative and sales office in Hamburg and storages for products with different packaging and cycling facilities in Germany and the Netherlands.

The white cement market of Germany and the neighboring countries is among the most important markets of Europe together with the Spanish market. The calcium aluminate cement market of Germany and the neighboring countries is the most important market in Europe. Çimsa makes sales to the market through the terminal since 2000 and reaches to the customers in these markets directly with its own brand, and it is among the preferred actors in the market with both its product quality and its service quality

9. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD (CONT.)

Cimsa Adriatico S.R.L. (Italy)

By acquiring the majority shares of Medcon Company on February 9, 2010, Çimsa became the majority owner of the terminal with four 5,000 tons silos at Trieste Port. The title of the company was changed as Cimsa Adriatico SRL on April 26, 2010. The terminal makes it possible to access the Italian market, which is Europe's third largest white cement consumer after Spain and France, with Çimsa brand. The terminal, with its advantageous location, is at a position to sell not only to Northern Italy, but also to developing Slovenia, Croatia and Bosnia-Herzegovina, as well as South Eastern Germany and Austria. The terminal is suitable for storing and packing white cement and for storing grey cement, and it also supplies ISIDAÇ 40 (Calcium Aluminate Cement).

Cimsa Cementos Espana S.A.U. (Spain)

With its terminal located at Sevilla since 1996, Çimsa reaches Spanish white cement consumers directly and thus increases the marketing effectiveness of its cement. The white cement, produced at Mersin Cement Plant, arrives at Sevilla Port in bulk by means of vessels; and it is transported by means of cement trailers from the port to the two 5,000 tons silos owned by Çimsa Cementos. Besides the packaging facility with 125 tons/day capacity, there is also a facility producing white cement mixed flooring material at the terminal.

Çimsa Cementos has been marketing Çimsa white cement in Seville, Madrid, Cordoba and Granada markets since 1996. On the other hand, ISIDAÇ 40 (Calcium Aluminate Cement) is transported from Turkey in bags and is again sold from the terminal.

Alicante Terminal was built on an area of 6,877 m² at Alicante Port, with the aim of increasing the focus on consumers in Spain, which is Europe's most important white cement market. The white cement, produced at Mersin Cement Plant, arrives at Alicante Port in bulk by means of vessels. From here, it is transferred to the 10,000 tons silo at Alicante Terminal by means of underground pipes. The delivery of the cement stored at the silos to the packaging machine and bulk filling building is carried out automatically by means of pneumatic conveyors and elevators.

At Alicante Terminal, there is one rotary type packaging machine with 1,050 bags/hour capacity and one palletizer with 2,240 bags/hour capacity.

The dust that may be generated during the filling process is collected by the filter system and automatically returned to the packaging machine. The operational status of the machine equipment is monitored on monitors with visual and audible signals.

Alicante Terminal is one of the most modern cement terminals of Spain, and it consists of three main units, with 127 m² office space, 1,232 m² packaging building and the bulk filling building

Alicante Terminal is in operation since 2011 and it caters to the Spanish market, the most important white cement consumer in Europe. The terminal has been marketing Çimsa's white cement in Alicante, Murcia, Valencia, Catalonia, Toledo, Madrid and Gijon markets since June 2011.

Çimsa Cement Free Zone Ltd. (T.R.N.C.)

Çimsa is serving this market since 2005 with a terminal with 5,000 tons grey cement storage capacity, installed at Famagusta Free Port and Zone in Turkish Republic of Northern Cyprus (TRNC).

Grey cement produced by Çimsa at Mersin Cement Plant is transported to Cyprus Famagusta Port from Mersin Port by means of vessels, and pumped to Çimsa Cement Free Zone silos from the vessels by means of unloaders. Cement is sold in bulk from the silos according to the demand in the market. For customers who demand cement in bags, the marketing activities are carried out by importing cement in bags from Mersin Cement Plant.

9. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD (CONT.)

Cimsarom Marketing Distributie S.R.L. (Romania)

The company was established at the port of Constanta in order to serve the Romanian market, which is developing rapidly after accession to European Union, and it markets Çimsa white cement and ISIDAÇ 40 (Calcium Aluminate Cement) to mainly Romania and the surrounding markets.

OOO CIMSA RUS CTK (Russia)

In order to meet the demand in the rapidly growing Russian market, Çimsa decided to build a terminal at Novorossiysk in 2008 and the establishment procedures of the Company were completed as of July 2008.

The white cement packaging facility with 7,000 tons silo capacity is in operation since 2008, and it meets the demands of customers in Russian market. In this market, which is suitable also for special product customers, ISIDAÇ 40 (Calcium Aluminate Cement) is also in high demand.

10. PERSONNEL MOVEMENTS AND COLLECTIVE BARGAINING

10.1 Number of Personnel:

A total of 1.171 personnel is employed at Çimsa group workplaces included in consolidation (including terminals abroad and Afyon Çimento) as of December 31, 2016.

Between January 01, 2016 and December 31, 2016, 93 personnel quitted at Çimsa group workplaces included in consolidation, while 128 personnel were employed.

10.2 Collective Bargaining

The collective bargaining negotiations between the Union of Cement Employers (ÇEİS), in which Çimsa is a member, and T. Çimse-İş Union concluded with the agreement of the parties in January 2016. A collective bargaining agreement for 2 (two) years, covering the period between January 01, 2016 and December 31, 2017, was signed.

10.3 Compensation and Benefits

The personnel categorized as out of scope (white collar) are provided with a total wage package consisting of 12 gross wages and 4 gross bonuses in March, June, September and December. As defined in relevant Company procedures, the white collar personnel may be provided with various benefits according to volume of business and position, such as private life insurance, private health insurance, individual pension insurance with employer contribution, a corporate GSM line, a corporate mobile device, a company car, meal card, personnel transport vehicle, etc. The personnel categorized as in-scope (blue collar) are provided with a total wage package consisting of 12 gross wages and 4 gross bonuses in March, June, September and December. In addition to payment of benefits provided in gross 12 times in a year and hour-based shift premiums based on night work, other social benefits including aid for marriage, moving, birth, and death situations and seniority incentive bonus may be provided within the scope of the Collective Bargaining agreement in effect.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))



INDEPENDENT AUDITOR REPORT



Güney Bağımsız Denetim ve
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Independent Auditor Report and Consolidated Financial Statements

To Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi Board of Directors,

We have audited accompanying financial tables prepared by Çimsa Cement Sanayi ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (collectively referred to as the “Group”) as of 31 December 2016 including consolidated financial statement, consolidated profit or loss statement ending on the same date, other consolidated comprehensive income statement, consolidated equity change statement, consolidated cash flow statement, and footnotes summarizing important accounting policies and other explanatory notes.

Management’s Responsibility for Financial Table

Group management is responsible for the internal control required to prepare the financial statements in accordance with Turkish Accounting Standards, to present them in a fair presentation and to prepare financial statements that are free from material errors caused by mistakes or fraud.

Responsibility of Independent Auditor

Our responsibility is to give an opinion on these consolidated financial statements, based on the independent audit we perform. We conducted our audit in accordance with the Independent Auditing Standards published by the Capital Markets Board and the Independent Auditing Standards which are part of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Institution. These standards require that compliance with ethical provisions and independent audit should be planned and conducted to obtain reasonable assurance that the financial statements contain material misstatement.

An independent audit involves the application of audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of these procedures is based on the professional judgment of the independent auditor, including the assessment of the risk of “significant misstatement” from errors or fraud in the financial statements. The independent auditor assesses the internal control over the preparation and appropriate presentation of the entity’s financial statements in order to design audit procedures that are appropriate to the circumstances, but this assessment is not intended to give 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 financial statements.

We believe that the independent audit evidence we obtain during the independent audit is a sufficient and appropriate basis for the establishment of our opinion.

Opinion

According to the auditor’s opinion, the financial statements included in the accompanying consolidated financial statements have been presenting the financial position of Çimsa Cement Industry and Trade Inc. and its subsidiaries as of 31 December 2016 and their financial performance and cash flow for the accounting period ending on the same date in accordance with the Turkish Accounting Standards.

INDEPENDENT AUDITOR REPORT

Report on Other Covenants Resulting from the Regulations

- 1) The Auditor's Report on the Early Risk Detection System and Committee organized in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC") was presented to the Company's Board of Directors on February 22, 2017.
- 2) In accordance with the fourth paragraph of Article 402 of the TCC, no significant issue has arisen as to whether the bookkeeping order of the Company during the accounting period of January 1, December 31, 2016 does not conform to the financial statements of the Company and the articles of association of the Company.
- 3) In accordance with the fourth paragraph of Article 402 of the TCC, the Board of Directors has made the required explanations within the scope of the audit and issued the requested documents.

Fact not affecting opinion

In relation to calculation of 2010 corporate tax for Exsa Export Sanayi Mamulları Satış ve Araştırmaları A.Ş. ("Exsa") of which 32,875% is owned by Group and which is accounted for using equity method, the tax inspection report dated 2012 was prepared and in accordance with this report 39,219,428 TL tax (impact on the Group 12,893,387 TL) and 58,829,143 TL tax penalty (impact on the Group 19,340,081 TL) was issued to Exsa on January 22, 2013. The subject of the tax examination concerns the partial division process that took place in 2010, and a tax inspection report was also issued in 2011 on this subject. Exsa has agreed with the Ministry of Finance in recognition of the report prepared in 2011. In the light of the report on the same subject and the same year organized in 2012 and notified on 22 January 2011, Exsa applied to the Ministry of Finance for reconciliation but no compromise was reached. Exsa filed a lawsuit regarding the matter. The case was concluded on 9 May 2014 in favor of Exsa and the decision was appealed by the Revenue Administration. In accordance with the law numbered 6736 on restructuring of certain receivables in relation to the dispute, Exsa paid 9,101,888 TL tax penalty (impact on the Group is TL 2,992,246) in 2016. The decision on the termination of the case due to the waiver from the Tax Court as of the date of the report has not been notified to Exsa.

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



Ferzan Ülgen, SMMM
Responsible Auditor

22 February 2017
İstanbul, Turkey

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | Note | (Audited) Current Period 31 December 2016 | (Audited) Prior Period 31 December 2015 |
|---|------|--|--|
| ASSETS | | | |
| Cash and cash equivalents | 5 | 32.828.414 | 224.071.872 |
| Trade receivables | 6 | 318.130.576 | 327.413.136 |
| <i>Trade receivables from related parties</i> | 26 | 10.756 | 3.075 |
| <i>Trade receivables from third parties</i> | | 318.119.820 | 327.410.061 |
| Other receivables | 8 | 535.607 | 858.520 |
| <i>Other receivables from third parties</i> | | 535.607 | 858.520 |
| Inventories | 9 | 176.903.829 | 96.064.710 |
| Prepaid expenses | 10 | 22.170.864 | 3.727.477 |
| Assets related to the current period taxes | 24 | 4.666.210 | 389.491 |
| Other current assets | 17 | 27.423.658 | 13.421.675 |
| Current Assets | | 582.659.158 | 665.946.881 |
| Trade receivables | 6 | 2.067.255 | - |
| <i>Trade receivables from third parties</i> | | 2.067.255 | - |
| Other receivables | 8 | 3.280.920 | 3.300.320 |
| Available for sale financial investments | 30 | 56.978 | 56.978 |
| Investments accounted under equity method | 3 | 227.204.764 | 198.879.863 |
| Property, plant and equipment | 11 | 1.486.537.379 | 891.957.670 |
| Intangible assets | | 167.065.970 | 167.482.109 |
| <i>Goodwill</i> | 12 | 148.119.252 | 148.119.252 |
| <i>Other intangible assets</i> | 13 | 18.946.718 | 19.362.857 |
| Prepaid expenses | 10 | 32.201.791 | 41.673.501 |
| Deferred tax assets | 24 | 6.973.708 | 7.201.772 |
| Other non-current assets | 17 | 32.464.362 | 4.034.202 |
| Non-current assets | | 1.957.853.127 | 1.314.586.415 |
| TOTAL ASSETS | | 2.540.512.285 | 1.980.533.296 |

The accompanying notes form an integral part of these consolidated financial statements.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | Note | (Audited) Current Period 31 December 2016 | (Audited) Prior Period 31 December 2015 |
|---|------|--|--|
| LIABILITIES | | | |
| Short-term borrowings | 7 | 375.016.168 | 132.062.996 |
| Current portion of long-term borrowings | 7 | 200.064.509 | 32.427.576 |
| Trade payables | 6 | 275.714.203 | 206.253.599 |
| <i>Trade payables to related parties</i> | 26 | 27.689.182 | 29.696.666 |
| <i>Trade payables to third parties</i> | | 248.025.021 | 176.556.933 |
| Employee benefit obligations | 16 | 7.092.249 | 4.408.724 |
| Other payables | 8 | 10.239.295 | 9.732.474 |
| <i>Other payables to related parties</i> | 26 | 1.371.587 | 1.901.067 |
| <i>Other payables to third parties</i> | | 8.867.708 | 7.831.407 |
| Derivative financial liabilities | 29 | 68.816 | - |
| Deferred income | 10 | 7.503.693 | 6.435.545 |
| Current income tax liability | 24 | 11.201.977 | 10.757.643 |
| Short-term provisions | 14 | 18.652.900 | 17.393.141 |
| <i>Short-term provisions for employee benefits</i> | 16 | 4.700.000 | 4.613.000 |
| <i>Other short-term provisions</i> | 14 | 13.952.900 | 12.780.141 |
| Other current liabilities | 17 | 7.288.079 | 3.615.238 |
| Current liabilities | | 912.841.889 | 423.086.936 |
| Long-term borrowings | 7 | 211.936.758 | 213.166.955 |
| Long-term provisions | | 31.630.841 | 29.663.546 |
| <i>Long-term provisions for employee benefits</i> | 16 | 27.391.725 | 24.969.621 |
| <i>Other long-term provisions</i> | 14 | 4.239.116 | 4.693.925 |
| Deferred tax liability | 24 | 25.116.199 | 23.513.747 |
| Non-current liabilities | | 268.683.798 | 266.344.248 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 18 | 135.084.442 | 135.084.442 |
| Adjustments to share capital | 18 | 41.741.516 | 41.741.516 |
| Share premiums | 18 | 1.099.415 | 1.099.415 |
| Other comprehensive income/expense to be reclassified to profit or loss | | 23.362.492 | 4.385.203 |
| <i>Foreign currency translation reserve</i> | | 15.949.885 | 4.385.203 |
| <i>Increase/(decrease) funds of available-for-sale financial assets</i> | 18 | 7.412.607 | - |
| Other comprehensive income/expense not to be reclassified to profit or loss | | (4.844.261) | (4.952.998) |
| <i>Actuarial losses/gains on defined benefit plans</i> | 18 | (4.844.261) | (4.952.998) |
| Restricted reserves | 18 | 168.519.607 | 149.067.447 |
| Retained earnings | | 640.007.495 | 615.455.692 |
| Net profit for the year | | 246.019.452 | 245.279.781 |
| Equity Attributable to Equity Holders of the Parent | | 1.250.990.158 | 1.187.160.498 |
| Non-controlling interests | | 107.996.440 | 103.941.614 |
| Total Shareholders' Equity | | 1.358.986.598 | 1.291.102.112 |
| TOTAL LIABILITIES AND EQUITY | | 2.540.512.285 | 1.980.533.296 |

The accompanying notes form an integral part of these consolidated financial statements.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | Note | (Audited) Current Period 1 January- 31 December 2016 | (Audited) Prior Period 1 January- 31 December 2015 |
|---|------|---|---|
| OPERATING INCOME | | | |
| Sales | 19 | 1.170.309.931 | 1.171.145.661 |
| Cost of sales (-) | 20 | (794.861.516) | (806.246.032) |
| GROSS PROFIT | | 375.448.415 | 364.899.629 |
| General and administrative expense (-) | 20 | (79.924.712) | (64.245.803) |
| Marketing, selling and distribution expense (-) | 20 | (9.744.407) | (8.754.425) |
| Other operating income | 21 | 45.863.716 | 43.426.171 |
| Other operating expenses (-) | 21 | (25.524.333) | (36.226.074) |
| OPERATING PROFIT | | 306.118.679 | 299.099.498 |
| Income from investment activities | 22 | 3.553.884 | 3.522.980 |
| Expense from investment activities (-) | 22 | (2.169) | (43.467) |
| Profit/(loss) from investments accounted by equity method | 3 | 20.912.294 | 14.044.109 |
| OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE | | 330.582.688 | 316.623.120 |
| Financial income | 23 | 12.746.874 | 7.914.665 |
| Financial expenses (-) | 23 | (37.072.499) | (22.312.449) |
| PROFIT BEFORE TAXATION | | 306.257.063 | 302.225.336 |
| Tax income/(expense) from continuing operations | 24 | (57.196.683) | (54.673.624) |
| - Current period tax expense | | (54.612.724) | (58.310.212) |
| - Deferred tax income/(expense) | | (2.583.959) | 3.636.588 |
| NET PROFIT | | 249.060.380 | 247.551.712 |
| Profit/(loss) for the period attributable to | | | |
| - Non-controlling interests | | 3.040.928 | 2.271.931 |
| - Equity holders of the parent | | 246.019.452 | 245.279.781 |
| Earnings per share | | | |
| Earnings per share from continuing operations (Nominal amount of 1 Kr) | 25 | 1,82 | 1,81 |

The accompanying notes form an integral part of these consolidated financial statements.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | (Audited) Current Period 1 January- 31 December 2016 | (Audited) Prior Period 1 January- 31 December 2015 |
|---|---|---|
| Note | | |
| PROFIT FOR THE PERIOD | 249.060.380 | 247.551.712 |
| Other comprehensive income/expense to be reclassified to profit or loss | 20.552.276 | 2.265.065 |
| <i>Foreign currency translation reserve</i> | 13.139.669 | 2.265.065 |
| <i>Available for sales financial assets revaluation reserve</i> | 7.412.607 | - |
| Other comprehensive income/expense not to be reclassified to profit or loss | (452.352) | (2.516.481) |
| <i>Actuarial losses/gains on defined benefit plans</i> | (565.440) | (3.145.601) |
| <i>Tax (expense)/income</i> | 24 113.088 | 629.120 |
| OTHER COMPREHENSIVE INCOME (AFTER TAX) | 20.099.924 | (251.416) |
| TOTAL COMPREHENSIVE INCOME | 269.160.304 | 247.300.296 |
| Total comprehensive income attributable to | | |
| - Non-controlling interests | 4.054.826 | 4.866.021 |
| - Equity holders of the parent | 265.105.478 | 242.434.275 |

The accompanying notes form an integral part of these consolidated financial statements.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | Share Capital | Adjustments to share capital | Share premiums | Other comprehensive income/expense to be reclassified to profit or loss | | Available for sales financial assets revaluation reserve |
|---|--------------------|------------------------------------|-------------------|--|-------------------------------|--|
| | | | | Foreign currency translation reserve | Cash flow hedge reserve | |
| 1 January 2015 | 135.084.442 | 41.741.516 | 30.131 | 4.714.228 | - | - |
| Transfer from retained earnings | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - |
| Other comprehensive income/ (expense) | - | - | - | (329.025) | - | - |
| Total comprehensive income/ (expense) | - | - | - | (329.025) | - | - |
| Dividends paid | - | - | - | - | - | - |
| Increases due to share-based transactions ^(*) | - | - | 1.069.284 | - | - | - |
| Capital Increasing ^(**) | - | - | - | - | - | - |
| 31 December 2015 | 135.084.442 | 41.741.516 | 1.099.415 | 4.385.203 | - | - |
| 1 January 2016 | 135.084.442 | 41.741.516 | 1.099.415 | 4.385.203 | - | - |
| Transfer from retained earnings | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - |
| Other comprehensive income/ (expense) | - | - | - | 11.564.682 | - | 7.412.607 |
| Total comprehensive income/ (expense) | - | - | - | 11.564.682 | - | 7.412.607 |
| Dividends paid ^(†) | - | - | - | - | - | - |
| 31 December 2016 | 135.084.442 | 41.741.516 | 1.099.415 | 15.949.885 | - | 7.412.607 |

^(†) The decision to distribute dividend of TL 201.275.818 from 2015 year profit was unanimously approved by the Ordinary General Assembly held on 28 March 2016 and the payment was completed by distributing the first part of TL 116.580.618 on 30 March 2016, and the remaining on 1 April 2016.

^(*) On 21 November 2014, for the re-establishment of the subsidiary Afyon Çimento T.A.Ş.'s current factory with modern technologies in rural area, the Board of Directors of the Company (decision number: 106) decided to start investment process and according to feasibility studies USD 165.000.000 fund is needed. To be used in the funding of investment expenditures; it was decided to increase the company's share capital from TL 3.000.000 to TL 100.000.000. The pre-emption rights related to share capital increase of Afyon Çimento T.A.Ş. have been used between the dates of 22 June and 7 July 2015 and as of 24 July 2015, registration process has been finalized.

^(**) These are premiums on capital stock obtained from sale of Afyon Çimento T.A.Ş.'s unused pre-emptive rights on the market.

The accompanying notes form an integral part of these consolidated financial statements.

| Other comprehensive income/expense not to be reclassified to profit or loss | Retained Earnings | | | Equity attributable to equity holders of the parent | Non- controlling interests | Total equity |
|--|------------------------|----------------------|------------------------------|--|----------------------------------|---------------|
| Actuarial gains/(losses) on defined benefit plans | Restricted reserves | Retained earnings | Net profit for the period | | | |
| (2.436.517) | 132.289.960 | 613.781.619 | 192.980.659 | 1.118.186.038 | 51.545.593 | 1.169.731.631 |
| - | 16.777.487 | 176.203.172 | (192.980.659) | - | - | - |
| | - | - | 245.279.781 | 245.279.781 | 2.271.931 | 247.551.712 |
| (2.516.481) | - | - | - | (2.845.506) | 2.594.090 | (251.416) |
| (2.516.481) | - | - | 245.279.781 | 242.434.275 | 4.866.021 | 247.300.296 |
| - | - | (174.529.099) | - | 174.529.099) | - | (174.529.099) |
| - | - | - | - | 1.069.284 | - | 1.069.284 |
| - | - | - | - | - | 47.530.000 | 47.530.000 |
| (4.952.998) | 149.067.447 | 615.455.692 | 245.279.781 | 1.187.160.498 | 103.941.614 | 1.291.102.112 |
| (4.952.998) | 149.067.447 | 615.455.692 | 245.279.781 | 1.187.160.498 | 103.941.614 | 1.291.102.112 |
| - | 19.452.160 | 225.827.621 | (245.279.781) | - | - | - |
| - | - | - | 246.019.452 | 246.019.452 | 3.040.928 | 249.060.380 |
| 108.737 | - | - | - | 19.086.026 | 1.013.898 | 20.099.924 |
| 108.737 | - | - | 246.019.452 | 265.105.478 | 4.054.826 | 269.160.304 |
| - | - | (201.275.818) | - | (201.275.818) | - | (201.275.818) |
| (4.844.261) | 168.519.607 | 640.007.495 | 246.019.452 | 1.250.990.158 | 107.996.440 | 1.358.986.598 |

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

| | Note | (Audited) Current Period 1 January- 31 December 2016 | (Audited) Prior Period 1 January- 31 December 2015 |
|--|-------|---|---|
| A. CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES | | 262.413.974 | 328.409.567 |
| Profit before taxation | | 306.257.063 | 302.225.336 |
| Adjustments to reconcile net profit/(loss) for the period | | 80.953.498 | 76.112.367 |
| Adjustment related to depreciation and amortization expense | 11/13 | 58.535.454 | 67.862.716 |
| Impairment on property, plant and equipment | 11 | 7.250.786 | - |
| Adjustment related to gain on sale of fixed assets | 22 | (1.039.599) | (2.098.295) |
| Adjustment related to retained profits of subsidiaries | 3 | (20.912.294) | (14.044.109) |
| Adjustment related to allowance for doubtful receivable | 6/8 | 2.601.889 | 1.629.113 |
| Adjustment related to provision for inventories | 9 | 140.077 | 1.267.781 |
| Adjustment related to provision for litigations | 14 | 1.172.759 | 2.080.141 |
| Adjustment related to recultivation provision | 14 | (388.834) | (323.266) |
| Adjustment related to provision for unlawful occupation | 14 | 133.802 | 126.543 |
| Adjustment related to retirement pay provision | 16 | 3.817.335 | 4.588.692 |
| Adjustment related to seniority provision | 16 | 285.629 | 390.231 |
| Adjustment related to unpaid vacation liability | 16 | 855.429 | 549.900 |
| Adjustment related to bonus accrual | 16 | 4.700.000 | 4.613.000 |
| Adjustment related to interest expense | 23 | 21.864.858 | 9.669.374 |
| Adjustment related to interest income | 21 | (11.955.908) | (9.215.745) |
| Adjustment related to dividend income | 22 | (18.944) | (18.333) |
| Unrealized foreign exchange (gains)/losses on financial borrowings | | 13.842.243 | 9.371.082 |
| Adjustment related to fair value (increase)/decrease of derivative financial instruments | 29 | 68.816 | (336.458) |
| Changes in working capital | | (60.253.759) | 13.419.155 |
| Short-term trade receivables | | 5.921.148 | (73.823.160) |
| Inventories | | (80.979.196) | 22.308.664 |
| Other receivables/current assets/prepaid expenses | | (32.124.235) | (10.639.366) |
| Other long term receivables/non-current/prepaid expenses | | (30.463.415) | (200.482) |
| Short term trade payables | | 69.460.604 | 71.848.621 |
| Other short term payables/liabilities | | 7.931.335 | 3.924.878 |
| Cash flows from operations | | 326.956.802 | 391.756.858 |
| Interest received | 21 | 1.802.132 | 1.301.080 |
| Unlawful paid | | (199.777) | - |
| Seniority provision paid | 16 | (4.613.000) | (3.836.152) |
| Retirement pay provision paid | 16 | (2.574.400) | (2.819.172) |
| Unused vacation liability paid | 16 | (296.105) | (374.784) |
| Seniority provision paid | 16 | (216.569) | (231.702) |
| Taxes paid | 24 | (58.445.109) | (57.386.561) |
| B. CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES | | (600.101.445) | (269.188.893) |
| Purchases of property, plant and equipment | 11 | (609.289.617) | (229.759.625) |
| Proceeds from sales of property, plant and equipment | 11/13 | 2.001.082 | 2.317.635 |
| Purchases of intangible assets | 13 | (2.270.020) | (1.080.588) |
| Change in advances given for fixed assets | 10 | 9.457.110 | (40.666.315) |
| C. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | | 135.242.514 | 119.168.804 |
| Proceeds from borrowings | | 1.003.602.855 | 452.328.979 |
| Repayment of borrowings | | (620.115.046) | (192.736.837) |
| Interests received | 23 | 12.746.874 | 7.914.665 |
| Dividend paid | 18 | (201.275.818) | (174.529.099) |
| Dividend income | 22 | 18.944 | 18.333 |
| Interest paid | | (59.735.295) | (22.426.521) |
| Capital increasing | | - | 47.530.000 |
| Premium on issued shares | | - | 1.069.284 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) | | (202.444.957) | 178.389.478 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 5 | 224.071.872 | 49.471.134 |
| Currency translation differences (net) | | 11.201.499 | (3.788.740) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 5 | 32.828.414 | 224.071.872 |

The accompanying notes form an integral part of these consolidated financial statements.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

1. ORGANIZATION AND NATURE OF OPERATIONS

General

Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa" or the "Company") was founded with a declaration of the trade registry on 16 December 1972 which was announced at Turkish Trade Registry Gazette numbered 4729 and dated 21 December 1972. Operations of the Group consist of production and sales of cement, clinker and ready mix concrete. The ultimate shareholder of the Group is Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding").

The registered office address of the Group is Kısıklı Cad. No: 4 Sarkuysan-Ak İş Merkezi S Blok Kat: 2 Altunizade, Üsküdar/İstanbul.

A certain amount of the shares of the Company is traded on Borsa İstanbul A.Ş. ("BIST") (Note: 15). In accordance with Article 82 of the BIST Basic Principles of Share Indexes, the shares of Çimsa are included in the BIST 100 index by the Directorate General of the Stock Exchange.

The upper limit of registered share capital of the Company is TL 200.000.000 (31 December 2015- TL 200.000.000)

As of 31 December 2016 and 31 December 2015, the information related to the Company's subsidiaries is as follows:

| Entity | Date of acquisition | Location of the operation | Principal Activities | Effective shareholding of the company | |
|--|---------------------|---------------------------|--|---------------------------------------|------------------|
| | | | | 31 December 2016 | 31 December 2015 |
| Çimsa Cement Free-Zone Limited (Çimsa Cement) ⁽¹⁾ | 12 Oct 2005 | NCTR | Cement sales and marketing | 99,99% | 99,99% |
| CIMSAROM Marketing Distributie S.R.L. (Çimsarom) ⁽¹⁾ | 8 Feb 2006 | Romania | Cement sales and marketing | 99,99% | 99,99% |
| Çimsa Cement Sales North GmbH (CSN) ⁽¹⁾ | 27 June 2006 | Germany | White cement marketing | 100% | 100% |
| Çimsa Cementos Espana, S.A.U. (Cementos Espana, S.A.U.) ⁽¹⁾ | 7 July 2006 | Spain | Sales of bulk and bagged cement to white cement market | 100% | 100% |
| Çimsa Mersin Serbest Bölge Şubesi ⁽¹⁾ | 12 Dec 2007 | Mersin | Export | 100% | 100% |
| Regent Place Limited (Regent) ⁽¹⁾ | 21 May 2008 | British Virgin Island | Financial investment and holding company | 100% | 100% |
| OOO Çimsa Rus CTK (OOO Rusya) ⁽¹⁾ | 16 July 2008 | Russia | Cement packaging, sales and marketing | 100% | 100% |
| Çimsa Adriatico Srl ⁽¹⁾ | 9 Feb 2010 | Italy | Cement sales and marketing | 70% | 70% |
| Afyon Çimento Sanayi Türk Anonim Şirketi ⁽¹⁾ | 31 May 2012 | Turkey | Cement production and sales | 51% | 51% |

⁽¹⁾Accounted for using full consolidation method.

The Company's associate, Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. ("Exsa") (effective ownership: 32,875%) is consolidated by the equity method.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

1. ORGANIZATION AND NATURE OF OPERATIONS (continued)

For the purpose of presentation of the consolidated financial statements, Çimsa, its subsidiaries and its associate will be together referred as ("the Group").

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 22 February 2017. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The number of blue collar employees (a union member) of the Group for the year ended 31 December 2016 is 558 (2015 - 624) and white collar employees (not a union member) is 444 (2015 - 468) and the number of employees working in subsidiaries located abroad is 42 (2015 - 44).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

The functional and presentation currency of the Company is Turkish Liras ("TL").

Functional currency of Cement Sales North GmbH, Çimsa Cementos Espana S.A.U., Regent Place Ltd. and Çimsa Adriatico SRL is Euro, the functional currency of Çimsarom Marketing Distribute Srl is New Romanian Lei ("Ron") and functional currency of OOO Çimsa - Rus Ctk is Ruble. Based on TAS 21, for subsidiaries operating in countries without high inflation rates, the exchange rate used for translating the financial position items is the exchange rate at the balance sheet date; for income statement balances, the average exchange rate of the related period and the consolidated financial statements are presented in TL. The resulting foreign currency gain/loss are recorded under the "Currency Translation Reserve" account in equity.

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. These adjustments and reclassifications mainly consist of the effect of deferred tax calculation, provision for doubtful receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 "Employee Benefits", prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, capitalization of financing expenses made in scope of TAS 23 over construction in progress, the assessment of financial assets and liabilities in accordance with TAS 39, the accounting of TFRS 3 "Business Combinations" and the accounting of derivative financial instruments and cash flow hedge reserves in accordance with TAS 39.

2.2 Seasonality of the Group's operations

The operations of the Group increase in spring and summer season when the demand for the construction increases and construction industry revives.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Going Concern

The Group has prepared its consolidated financial statements in accordance with going concern principle.

2.4 Offsetting

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

2.5 Changes in accounting policies, estimates and errors

Any change in accounting policies resulting from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively.

2.6 Summary of Significant Accounting Policies

Basis of consolidation

As at 31 December 2016, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee and, c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries are included in the consolidated statements of profit or loss from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. The consolidated financial statements are prepared using uniform accounting policies for similar transactions and events and are prepared for the same chart of accounts of the Company.

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated. Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists of the amount of those interests at the date of the original acquisition and the minority's share of changes in equity since the date of the acquisition.

Losses within a subsidiary are attributed to minority interest even if that result is in deficit balance.

Transactions with minority shareholders are assumed to be occurred between main shareholders and so, accounted under equity.

Share purchase/(sale) transactions with minority shareholders that does not result in loss of control in the subsidiary are assumed to be occurred between the shareholders and are accounted under "differences arising from the change in shareholding rate in subsidiaries" account.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Company until the date on which the control is transferred out of the Company.

This control is normally evidenced when Çimsa owns, either directly or indirectly, more than 50% of the voting rights of a group's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Accordingly, the financial statements of Çimsa Cement, Cementos Espana, Çimsarom, CSN, Regent, OOO Russia, Cimsa Adriatico S.r.l and Afyon Çimento Türk Anonim Şirketi are fully consolidated in accordance with TAS 10 "Consolidated Financial Statements.

Non-controlling interests in the net assets of the consolidated subsidiaries are separately presented within the Group's equity as non-controlling interests. Non-controlling interests are composed of the sum of those emerged at the initial business combination and non-controlling interests in the changes in equities occurred in the after-math of the business combination.

Associates

The associate of the Group, Exsa, is accounted by equity method, which is classified under the Group's financial assets.

Investments accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The other comprehensive income statement presents shares of financial results of the Group's affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group's share. The share of the group from these changes is directly accounted under the Group's equity.

Exsa's financial statements are prepared for the same period and with respect to the same accounting policies.

The Group considers at each balance sheet date whether there is impairment on the investments accounted by equity method.

Cash and cash equivalents

For the purposes of the presentation of consolidated cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks, checks readily convertible to known amounts of cash and short-term deposits with an original maturity of three months or less.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials - purchase cost on a monthly average basis.

Finished goods and work-in-process - cost includes direct material and labor cost, the applicable allocation of fixed and variable overhead costs (considering normal operating capacity) on the basis of monthly average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Land is not subject to depreciation. Depreciation is calculated on all property, plant and equipment on a straight-line basis over the estimated useful life of the asset as below. The economic useful lives of property, plant and equipments are as follows:

| | Useful Lives |
|----------------------------|--------------|
| Land and land improvements | 8-50 years |
| Buildings | 10-50 years |
| Machinery and equipment | 3-25 years |
| Furniture and fixtures | 3-15 years |
| Motor vehicles | 5-7 years |
| Other tangible assets | 5-10 years |
| Leasehold improvements | Lease period |

Intangible assets

Intangible assets which mainly comprise of software and mining rights are measured at cost. Intangible assets may be capitalized in case when they generate economic benefit and costs can be measured accurately. Sub-sequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Where no internally-generated intangible asset can be recognized, development expenditure is charged to the consolidated statement of profit or loss in the period in which it is incurred. The estimated useful lives of the intangible assets are determined as either a specific time or perpetual. Amortization is calculated using the straight-line method over the estimated useful life. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The amortization expenses of the intangible assets with certain estimated useful lives are reflected into the consolidated statement of profit or loss in accordance with the function of the intangible asset.

Intangible assets which mainly comprise of software and mining rights are capitalized at cost. Except for mining rights, intangible assets are amortized with respect to straight-line method over the estimated useful life (5 years) of the related intangible asset.

Mining rights are amortized based on the ratio of depletion of mining reserves to total reserves. The remaining amortization period depends on the depletion rate of the reserves.

The Group does not have any intangible assets with indefinite useful life.

The carrying values of intangible assets are reviewed for impairment when there is any event or changes in circumstances indicate that the carrying value may not be recoverable.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Intangible assets (continued)

Derecognition of tangible and intangible assets

Tangible and intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of tangible and intangible assets, measured as the differences between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on non-financial assets

At each balance sheet date, the Group assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Group estimates the recoverable amount of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset. The main estimates that are used during these analyses comprise expected inflation rates, expected increase in sales and cost of sales, expected changes in export-domestic market composition and expected growth rate of the country

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in previous years. Impairment loss on goodwill cannot be reversed in the consolidated statement of profit or loss in future periods.

Goodwill

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

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

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

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39 Financial Instruments:

The aforementioned contingent consideration is measured through fair value and gain or loss, sourcing from amendment, is recognized in profit or loss or other comprehensive income. Those, which are not in scope of TAS 39, are recognized in accordance with TAS 37 Provisions or other appropriate TFRS standards.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of TFRS 3.

Foreign currency transactions

The Company and its subsidiaries translate the transactions in foreign currencies during the period at the ex-change rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end and exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the consolidated statement of profit or loss. Non-monetary items carried at cost that are denominated in foreign currencies are translated at the rates on the initial transaction date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to profit or loss.

Foreign currency translation rates used as of respective period-ends are as follows:

| Date | 31 December 2016 | 31 December 2015 |
|-----------------------|------------------|------------------|
| USA Dollar ("USD")/TL | 3,5192 | 2,9076 |
| Euro ("EUR")/TL | 3,7099 | 3,1776 |
| Ruble ("RUB")/TL | 0,0573 | 0,0396 |
| Ron ("RON")/TL | 0,8131 | 0,6973 |
| Sterling ("GBP")/TL | 4,3189 | 4,3007 |

Average exchange rates, which are used in consolidated financial statements, are as follows:

| Date | 2016 | 2015 |
|--------|--------|--------|
| USD/TL | 3,0174 | 2,7191 |
| EUR/TL | 3,3372 | 3,0187 |
| RUB/TL | 0,0486 | 0,0446 |
| RON/TL | 0,7599 | 0,6754 |
| GBP/TL | 4,0751 | 4,1529 |

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs in 2008 and before are expensed in the period they occurred. Since 1 January 2009, the borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs include interests and other costs related to the borrowing activity.

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. Other all borrowing costs are booked in the consolidated statement of profit or loss, when incurred.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where 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.

Income tax

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax can be directly related to equity accounts if it's related to the transactions in connection with the share capital in the same or different period.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Provisions for employee benefits/retirement pay provision:

a. Defined benefit plan

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

As indicated in Note 16 in detail, in the accompanying financial statements, the Group has reflected a liability using the "Projected Unit Credit Method" based on the actuarial valuation performed by independent actuaries. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate estimate of qualified actuaries.

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

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

b. Defined contribution plans

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

c. Seniority provision

The Group has a liability to pay seniority incentive premium to the blue collar workers for five years period in accordance with the collective labor agreement. The Group discounts each first future payment and records the amounts to its consolidated statement of profit or loss.

Leasing

The Group as lessee

Financial leasing

Financial leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of profit or loss. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Related parties

A party is related to the Company if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of Goods

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

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

Interest

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.

Dividends

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).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Earnings per share

Basic earnings per share in the consolidated statement of profit or loss are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making distribution of free shares to existing shareholders from various internal resources. For the purpose of the earnings per share calculation such share issues are regarded as issued stock. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Events subsequent to the balance sheet date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

If such an event were to arise, the Group restates its financial statements accordingly.

Trade and settlement date accounting

All purchases and sales of financial assets are recognized on the trade date, in other words, the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame generally established by regulation or convention in the market place.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

- cash,
- a contractual right to receive cash or another financial asset from another enterprise,
- a contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- an equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- to deliver cash or another financial asset to another enterprise, or
- to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it. Transaction costs are included (deducted for financial liabilities) in the initial measurement of all financial assets and liabilities.

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a forced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

Fair value of financial instruments

The methods and assumptions in fair value estimation of the financial instruments of the Group are explained in Note 32.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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 receivables recognized at original invoice amount, notes and cheques receivables) are measured at amortized cost using the effective interest method, less any impairment.

Trade receivables included in the category of loans and receivables are recorded in the accounts with their invoiced amounts and are carried at net values discounted by the effective interest rate method in the following periods and if there is provision for doubtful receivables, it should be deducted.

Notes classified as trade receivables and postdated checks are carried at their discounted values by the effective interest rate method.

Available for sale financial assets

All available for sale financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the financial asset.

After initial recognition, available for sale financial assets are measured at fair value. Gains or losses on available for sale investments are recognized as a separate component of equity, "Available for sales financial assets revaluation fund", until the financial asset is sold, collected or otherwise disposed, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously disclosed in equity is associated to income and expense accounts.

For financial assets that are actively traded on a quoted market, fair value is determined based on the quoted market bid prices at closing on the balance sheet date. When there is no quoted market price for the equity instruments, such financial assets are stated at their costs less impairment provision if any.

Impairment on financial assets

Except for the financial assets whose fair value differences are accounted under profit and loss statement, financial assets or financial asset groups are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows calculated using effective interest rate. The Group follows its receivables separately. The Group also includes a financial asset to the financial assets with the same risk properties and assesses for impairment as a whole in case there is not a specific and separate event determined that causes impairment. Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account.

In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the consolidated statement of profit or loss. The allowance for doubtful receivables is established through a provision charged to expenses. Provision is provided when there is objective evidence that the Group will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Available for sale financial assets (continued)

Impairment on financial assets (continued)

When the fair value of an available-for-sale financial asset that carried at its fair value is below its cost value of the financial asset due to the fluctuations in the market, the Group assesses the impairment by considering if the fair value decline is material, permanent and not recoverable in the long-term. In accordance with the Group's accounting estimations and policies, in order to assess the fair value decline in the available-for-sale financial asset to be permanent and not recoverable in the long-term, at least one year should pass from the date that the fair value is below its cost of the financial asset. In case there is any impairment, such impairment is transferred from equity to the consolidated statement of profit or loss.

Financial liabilities

Financial liabilities are recognized initially at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within an expected life of the asset or in a shorter period.

Bank borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

Trade payables

Trade and other payables are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Derivative financial instruments and hedge accounting

The operations of the Group expose the entity to financial risks mainly due to the change in foreign currency exchange rates and interest rates. The Group mainly utilizes derivative instruments mainly foreign currency forward contracts to hedge its foreign currency risk associated with certain binding commitments and forecasted future transactions. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is directly recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss. The Group's policy to hedge foreign currency risk associated with a binding commitment classifies the related risk as cash flow hedge. When the hedge transaction does not result in the recognition of an asset or a liability, the amounts in equity are recognized in the consolidated statement of profit or loss when the hedged item affects the statement of profit or loss. The changes in the fair value of derivatives that do not qualify as cash flow hedge are recognized in the statement of profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting. The cumulative gain or loss related with hedge instrument accounted under equity as of such date is continued to be recognized under equity until the expected realization date of the transaction.

When the hedge transaction is no longer expected to occur, the net accumulated gain or loss in equity is recognized in profit or loss of the period.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset and when risk and benefit related to property. The Group derecognizes a financial liability when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

2.7 Comparative Information

The financial statements of the Group have been prepared comparatively with the previous period in order to enable information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to be comparative, financial statements of the previous periods are also reclassified and significant changes are disclosed. Interest income amounting to TL 7.914.665 presented under "other operating income" in consolidated profit or loss statement dated December 31, 2015 is reclassified to "financial income" account group and same amount in the consolidated statement of cash flow for the same period ended reclassified to "cash flows from financing activities" account group from "cash flows from operating activities".

2.8 Changes in Turkish Financial Reporting Standards

The new and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Changes in Turkish Financial Reporting Standards (continued)

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

POA issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with TFRS 9,

Or

- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment did not have an impact on the financial position or performance of the Group.

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

Amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the consolidated financial statements of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Changes in Turkish Financial Reporting Standards (continued)

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are sequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations - clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures - clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits - clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting - clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

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

ii) Standards issued but not yet effective and not early adopted

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

TFRS 15 Revenue from Contracts with Customers

The POA issued TFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 9 Financial Instruments

TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. First phase of TFRS 9 Financial Instruments brings new provision related to measurement and classification of financial assets and liabilities. Amendments made in TFRS 9 shall mainly affect the measurement and classification of financial liabilities and measurement of financial liabilities classified as fair value through profit or loss and part of fair value of such financial liabilities should be presented in other comprehensive income statement. The Group shall evaluate impacts of the aforementioned standard on its financial position and performance following the adoption of other phases of the standard by POA.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Changes in Turkish Financial Reporting Standards (continued)

TFRS 9 Financial Instruments (continued)

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

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

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

In December 2015, the POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements - 2010-2012 Cycle

TFRS 13 Fair Value Measurement

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

TFRS 16 Leases

The IASB has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if TFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group

TAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Changes in Turkish Financial Reporting Standards (continued)

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group

TFRS 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Changes in Turkish Financial Reporting Standards (continued)

Annual Improvements to TFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group

2.9 Significant accounting judgments and estimates

- a) Reserve for retirement pay liability is determined by using actuarial assumptions such as discount rates, future salary increase and employee's turnover rates. The estimations include significant uncertainties due to their long term nature. The details about reserve for employee benefits are provided in Note 16.
- b) Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is mentioned in the Note 6.
- c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 11 and 13).
- d) In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor. The Group management makes its best estimates using the available data are provided in Note 14.
- e) During the assessment of the reserve for obsolete inventories, inventories are physically and historically analyzed, usefulness of the inventories are determined based on the view of the technical personnel and if it is necessary, allowance is booked. As a result of these works, the inventories with the net realizable values below the costs are written down as disclosed in the Note 9.
- f) The Group performs its impairment analysis on assets by using discounted cash flows. In these analyses, there are certain an assumption about discount rates used and Group's future operations. As a result of these analyses, the Group's management has concluded that there is no impairment in the non-financial assets (Note 12).
- g) The Group makes assumptions based on views of the technical personnel in the calculation of provision for recultivation of exploitation lands. As a result of these analyses, assessments of the provision for recultivation of exploitation lands are provided in Note 14.

2.10 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of December 31, 2016, the accounting principles described in Note 2.1 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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3. INVESTMENTS ACCOUNTED BY EQUITY METHOD

| Investments | Country | Main operating activity | 31 December 2016 | | 31 December 2015 | |
|-------------|---------|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | | | Effective ownership (%) | Carrying net book value | Effective ownership (%) | Carrying net book value |
| Exsa | Turkey | Investment property and financial instruments | 32,875 | 227.204.764 | 32,875 | 198.879.863 |
| | | | | <u>227.204.764</u> | | <u>198.879.863</u> |

The assets and liabilities of Exsa, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 December 2016 and 31 December 2015 and revenue, expense and net profit for the periods ending 31 December 2016 and 31 December 2015 are as follow:

| | 31 December 2016 | 31 December 2015 |
|-----------------------------|-----------------------|-----------------------|
| Assets | 721.515.111 | 621.178.011 |
| Liabilities | (30.397.958) | (16.220.253) |
| Net Assets | 691.117.153 | 604.957.758 |
| Group's share | <u>227.204.764</u> | <u>198.879.863</u> |
| | 1 January-31 December | 1 January-31 December |
| Revenues | 123.998.719 | 62.420.023 |
| Expenses | (60.387.175) | (19.700.299) |
| Net profit for the period | 63.611.544 | 42.719.724 |
| Group's share in net profit | <u>20.912.294</u> | <u>14.044.109</u> |

As of December 31, 2016 and December 31, 2015, the movement of Exsa, which is accounted by equity method is as follows:

| | 2016 | 2015 |
|----------------------------|--------------------|--------------------|
| Beginning of the period | 198.879.863 | 184.835.754 |
| Valuation Funds | 7.412.607 | - |
| Profit/loss for the period | 20.912.294 | 14.044.109 |
| End of the period | <u>227.204.764</u> | <u>198.879.863</u> |

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

| Subsidiary | 31 December 2016 | | | |
|-----------------------------|----------------------------|---|---------------------------------------|--|
| | Non-controlling interest % | Gain/losses attributable to non-controlling interests | Accumulated non-controlling interests | Dividend paid to non-controlling interests |
| Afyon Çimento Sanayi T.A.Ş. | 49% | 3.103.829 | 101.287.294 | - |
| | | | | |
| Subsidiary | 31 December 2015 | | | |
| | Non-controlling interest % | Gain/losses attributable to non-controlling interests | Accumulated non-controlling interests | Dividend paid to non-controlling interests |
| Afyon Çimento Sanayi T.A.Ş. | 49% | 2.981.757 | 98.183.465 | - |

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3. INVESTMENTS ACCOUNTED BY EQUITY METHOD (continued)

Condensed financial information of Afyon Çimento T.A.Ş., the Group's subsidiary, after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

| | 31 December 2016 | 31 December 2015 |
|-------------------------------|---------------------|---------------------|
| Cash and cash equivalents | 522.924 | 164.939.002 |
| Other current assets | 35.115.871 | 29.251.622 |
| Non-current assets | 586.347.791 | 217.151.294 |
| Total Assets | <u>621.986.586</u> | <u>411.341.918</u> |
| Short term borrowings | 206.040.405 | 18.787.641 |
| Other current liabilities | 34.694.638 | 21.185.783 |
| Long term borrowings | 169.909.965 | 164.523.352 |
| Other non-current liabilities | 3.722.562 | 5.401.440 |
| Total liabilities | <u>414.367.570</u> | <u>209.898.216</u> |
| Total equity | <u>207.619.016</u> | <u>201.443.702</u> |

Condensed income statement information:

| | 1 January- 31 December 2016 | 1 January- 31 December 2016 |
|--------------------------------|--------------------------------|--------------------------------|
| Revenue | 60.826.896 | 64.460.340 |
| Gross profit | 2.122.075 | 4.893.085 |
| Operating profit/(loss) | 6.529.139 | 6.606.781 |
| Net financial income/(expense) | (2.075.212) | (749.155) |
| Profit/(loss) before tax | 4.453.927 | 5.857.626 |
| Net profit for the period | <u>6.334.345</u> | <u>6.085.219</u> |

Condensed cash flow information:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|---|--------------------------------|--------------------------------|
| Cash flows from operating activities | (29.482.227) | 14.825.234 |
| Cash flows from investing activities | (307.988.895) | (143.314.089) |
| Cash flows from financing activities (excluding dividend) | 173.979.379 | 279.820.144 |
| Net increase/(decrease) in cash and cash equivalents | <u>(163.491.743)</u> | <u>151.331.289</u> |

4. SEGMENT REPORTING

Since the majority of the export sales of the Group are to the different geographic regions as one-off basis, the distribution of sales to specific locations is not consistent between years. Therefore, the details of sales are disclosed as domestic and export sales in Note 19.

The Group manages and organizes its operations depending on the content of the services and goods provided. The Group prepares its segment reporting in accordance with TFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the years ended 31 December 2016 and 31 December 2015, the information about the Group's segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete; segment assets and liabilities as of 31 December 2016 and 31 December 2015.

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4. SEGMENT REPORTING (continued)

| 1 January-31 December 2016 | Cement | Ready-mix concrete | Undistributed | Elimination | Total |
|---|--------------------|---------------------------|----------------------|--------------------|--------------------|
| Sales | 974.195.681 | 268.264.847 | - | (72.150.597) | 1.170.309.931 |
| Cost of sales (-) | (592.150.631) | (274.861.482) | - | 72.150.597 | (794.861.516) |
| Gross profit/(loss) | 382.045.050 | (6.596.635) | - | - | 375.448.415 |
| General administrative, marketing selling distribution expenses (-) | (66.757.554) | - | (22.911.565) | - | (89.669.119) |
| Other operating income/expenses (-), net | 17.458.379 | (1.072.543) | 3.953.547 | - | 20.339.383 |
| Operating profit/(loss) | 332.745.875 | (7.669.178) | (18.958.018) | - | 306.118.679 |
| Income from investment activities | - | - | 3.553.884 | - | 3.553.884 |
| Expense from investment activities (-) | - | - | (2.169) | - | (2.169) |
| Profit/loss from investments accounted by equity method | - | - | 20.912.294 | - | 20.912.294 |
| Operating profit/(loss) before financial income/expense | 332.745.875 | (7.669.178) | 5.505.991 | - | 330.582.688 |
| Financial income/(expenses), (net) | - | - | (24.325.625) | - | (24.325.625) |
| Profit/(loss) before tax from continuing operations | 332.745.875 | (7.669.178) | (18.819.634) | - | 306.257.063 |
| Tax (expense)/income from continuing operations | - | - | (57.196.683) | - | (57.196.683) |
| Current period tax expense (-) | - | - | (54.612.724) | - | (54.612.724) |
| Deferred tax income/expense | - | - | (2.583.959) | - | (2.583.959) |
| Profit/(loss) for the period from continuing operations | 332.745.875 | (7.669.178) | (76.016.317) | - | 249.060.380 |
| 1 January-31 December 2015 | Cement | Ready-mix concrete | Undistributed | Elimination | Total |
| Sales | 1.019.435.635 | 219.215.684 | - | (67.505.658) | 1.171.145.661 |
| Cost of sales (-) | (647.848.126) | (225.903.564) | - | 67.505.658 | (806.246.032) |
| Gross profit/(loss) | 371.587.509 | (6.687.880) | - | - | 364.899.629 |
| General administrative, marketing selling distribution expenses (-) | (24.574.414) | - | (48.425.814) | - | (73.000.228) |
| Other operating income/expenses (-), net | 8.292.292 | (884.450) | (207.745) | - | 7.200.097 |
| Operating profit/(loss) | 355.305.387 | (7.572.330) | (48.633.559) | - | 299.099.498 |
| Income from investment activities | - | - | 3.522.980 | - | 3.522.980 |
| Expense from investment activities (-) | - | - | (43.467) | - | (43.467) |
| Profit/loss from investments accounted by equity method | - | - | 14.044.109 | - | 14.044.109 |
| Operating profit/(loss) before financial income/expense | 355.305.387 | (7.572.330) | (31.109.937) | - | 316.623.120 |
| Financial income/(expenses), (net) | - | - | (14.397.784) | - | (14.397.784) |
| Profit/(loss) before tax from continuing operations | 355.305.387 | (7.572.330) | (45.507.721) | - | 302.225.336 |
| Tax (expense)/income from continuing operations | - | - | (54.673.624) | - | (54.673.624) |
| Current period tax expense (-) | - | - | (58.310.212) | - | (58.310.212) |
| Deferred tax income/expense | - | - | 3.636.588 | - | 3.636.588 |
| Profit/(loss) for the period from continuing operations | 355.305.387 | (7.572.330) | (100.181.345) | - | 247.551.712 |

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4. SEGMENT REPORTING (continued)

1 January - 31 December 2016

| Other segment information | Cement | Ready-mix concrete | Undistributed | Elimination | Total |
|----------------------------------|--------------------|--------------------|---------------|-------------|--------------------|
| Tangible assets | 634.572.066 | 19.429.870 | - | - | 654.001.936 |
| Intangible assets | 2.270.020 | - | - | - | 2.270.020 |
| Total investment expenses | 636.842.086 | 19.429.870 | - | - | 656.271.956 |
| Amortization expense | (44.073.622) | (11.392.737) | - | - | (55.466.359) |
| Impairment | (7.250.786) | - | - | - | (7.250.786) |
| Redemption | (3.069.095) | - | - | - | (3.069.095) |

1 January - 31 December 2015

| Other segment information | Cement | Ready-mix concrete | Undistributed | Elimination | Total |
|----------------------------------|--------------------|--------------------|---------------|-------------|--------------------|
| Tangible assets | 231.837.504 | 11.086.656 | - | - | 242.924.160 |
| Intangible assets | 1.080.588 | - | - | - | 1.080.588 |
| Total investment expenses | 232.918.092 | 11.086.656 | - | - | 244.004.748 |
| Amortization expense | (53.084.852) | (12.301.411) | - | - | (65.386.263) |
| Redemption | (2.476.453) | - | - | - | (2.476.453) |

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4. SEGMENT REPORTING (continued)

| 31 December 2016 | Cement | Ready-mix concrete | Undistributed | Elimination | Total |
|---|----------------------|-----------------------|----------------------|-------------|----------------------|
| Assets and liabilities | | | | | |
| Segment assets | 2.028.814.437 | 209.515.325 | - | - | 2.238.329.762 |
| Available for sale financial investments | - | - | 56.978 | - | 56.978 |
| Investments accounted by equity method | - | - | 227.204.764 | - | 227.204.764 |
| Undistributed assets | - | - | 74.920.781 | - | 74.920.781 |
| Total asset | 2.028.814.437 | 209.515.325 | 302.182.523 | | 2.540.512.285 |
| Segment liabilities | | | | | |
| Segment liabilities | 1.119.594.790 | 61.930.897 | - | - | 1.181.525.687 |
| Undistributed liabilities | - | - | 1.358.986.598 | - | 1.358.986.598 |
| Total liabilities | 1.119.594.790 | 61.930.897 | 1.358.986.598 | | 2.540.512.285 |
| 31 December 2015 | | | | | |
| Assets and liabilities | | | | | |
| Segment assets | 1.557.407.628 | 167.979.032 | - | - | 1.725.386.660 |
| Available for sale financial investments | - | - | 56.978 | - | 56.978 |
| Investments accounted by equity method | - | - | 198.879.863 | - | 198.879.863 |
| Undistributed assets | - | - | 56.209.795 | - | 56.209.795 |
| Total asset | 1.557.407.628 | 1.557.407.628 | 255.146.636 | | 1.980.533.296 |
| Segment liabilities | | | | | |
| Segment liabilities | 620.136.072 | 69.295.112 | - | - | 689.431.184 |
| Undistributed liabilities | - | - | 1.291.102.112 | - | 1.291.102.112 |
| Total liabilities | 620.136.072 | 69.295.112 | 1.291.102.112 | | 1.980.533.296 |

The Group does not have any particular customer which comprises 10% or more of the total sales.

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5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2016 and 31 December 2015 is as follows:

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|---------------------|
| Cash | 6.264.317 | 2.175.654 |
| Cash at banks | 19.675.794 | 220.369.708 |
| <i>Demand deposits</i> | 9.675.794 | 15.549.373 |
| <i>Time deposits with maturity of less than 3 months</i> | 10.000.000 | 204.820.335 |
| Checks in collection | 6.888.303 | 1.526.510 |
| | <u>32.828.414</u> | <u>224.071.872</u> |

The detail of bank deposits is stated below:

| | 31 December 2016 | 31 December 2015 |
|-------|---------------------|---------------------|
| TL | 14.243.776 | 156.649.904 |
| EUR | 4.566.068 | 48.819.156 |
| USD | 465.875 | 14.586.968 |
| GBP | 11.695 | 23.042 |
| Other | 388.380 | 290.638 |
| | <u>19.675.794</u> | <u>220.369.708</u> |

Time deposits as of 31 December 2016 are denominated in TL with the maturity of less than three months. As of 31 December 2016, effective weighted average interest rate on time deposits is 10,95% for TL (31 December 2015 TL: 12,3%).

The Group does not have any blocked deposits as of 31 December 2016 and 31 December 2015.

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|---------------------|
| Short-term trade receivables | | |
| Trade receivables | 229.869.361 | 264.843.429 |
| Notes receivable | 99.997.831 | 70.952.592 |
| Due from related parties (Note 26) | 10.756 | 3.075 |
| Allowance for doubtful receivables (-) | (11.747.372) | (8.385.960) |
| | <u>318.130.576</u> | <u>592.256.528</u> |

Collection terms of trade receivables', notes receivables' and checks' vary based on the type of the product and agreements made with the customers and the average term is 85 days (31 December 2015- 75 days). Effective interest rates used when determining the amortized cost are 11,35% for TL, 2,93% for USD and 1,35% for EUR (31 December 2015 - TL: 11,17%, USD: 2,08%, EUR: 1,45%).

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6. TRADE RECEIVABLES AND PAYABLES (continued)

a) Trade receivables (continued)

The movement of the provision for doubtful receivables for the periods ended 31 December 2016 and

31 December 2015 is as follows:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|---|--------------------------------|--------------------------------|
| Allowance for doubtful receivables (-) | | |
| Opening balance | 8.385.960 | 6.618.509 |
| Provisions during the period (Note 21) | 2.821.333 | 1.863.383 |
| Reversal of the provision (-) (Note 21) | (221.222) | (234.270) |
| Currency translation difference | 761.300 | 138.338 |
| Closing balance | <u>11.747.372</u> | <u>8.385.960</u> |
| | <u>31 December 2016</u> | <u>31 December 2015</u> |
| Long term trade receivables | | |
| Trade receivables | 2.067.255 | - |
| | <u>2.067.255</u> | <u>-</u> |

b. Trade payables

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Short-term trade payables | | |
| Trade payables | 248.025.021 | 176.556.933 |
| Trade payables to related parties (Note 26) | 27.689.182 | 29.696.666 |
| | <u>275.714.203</u> | <u>206.253.599</u> |

The average payment period of trade payables is 94 days (31 December 2015: 70 days). Effective interest rates used when determining the amortized cost are 11,35% for TL, 2,93% for USD and 1,35% for EUR (31 December 2015 - TL: 11,17%, USD: 2,08%, EUR 1,45%).

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7. FINANCIAL BORROWINGS

The detail of Group's financial borrowings as of the balance sheet date is stated below:

| Borrowings | 31 December 2016 | 31 December 2015 |
|---|---------------------------|---------------------------|
| Short-term borrowings | 375.016.168 | 132.062.996 |
| Current portion of long-term borrowings | 200.064.509 | 32.427.576 |
| | <u>575.080.677</u> | <u>164.490.572</u> |
| Long-term borrowings | 211.936.758 | 213.166.955 |
| | <u>211.936.758</u> | <u>213.166.955</u> |
| Total borrowings | <u><u>787.017.435</u></u> | <u><u>377.657.527</u></u> |

The details of the borrowings and financial lease liabilities as of 31 December 2016 are as follows:

| Secured/ Unsecured | Interest type | Currency type | Weighted average interest rate (%) | Original Balance | Short-term | Long-term | 31 December 2016 |
|-----------------------|------------------|------------------|---|---------------------|--------------------|--------------------|---------------------|
| Secured | Fixed | EUR | 0,90 | 1.946.550 | 3.540.821 | 3.680.685 | 7.221.506 |
| Unsecured | Fixed | EUR | 1,66 | 17.845.912 | 57.860.442 | 8.346.108 | 66.206.550 |
| Unsecured | Fixed | TL | 9,67 | 667.839.779 | 467.929.815 | 199.909.965 | 667.839.780 |
| Unsecured | Fixed | USD | 2,93 | 13.000.000 | 45.749.600 | - | 45.749.600 |
| | | | | | <u>575.080.677</u> | <u>211.936.758</u> | <u>787.017.435</u> |

The details of the borrowings and financial lease liabilities as of 31 December 2015 are as follows:

| Secured/ Unsecured | Interest type | Currency type | Weighted average interest rate (%) | Original Balance | Short-term | Long-term | 31 December 2015 |
|-----------------------|------------------|------------------|---|---------------------|--------------------|--------------------|---------------------|
| Unsecured | Fixed | EUR | 10,62 | 259.256.000 | 55.134.242 | 204.121.758 | 259.256.000 |
| Unsecured | Fixed | TL | 1,79 | 17.918.520 | 56.937.888 | - | 56.937.888 |
| Unsecured | Fixed | USD | 2,06 | 16.000.000 | 46.521.600 | - | 46.521.600 |
| Secured | Fixed | EUR | 0,89 | 2.900.975 | 3.032.781 | 6.185.357 | 9.218.138 |
| Secured | Floating | EUR | Libor 6M+1,75 | 1.801.328 | 2.864.061 | 2.859.840 | 5.723.901 |
| | | | | | <u>164.490.573</u> | <u>213.166.955</u> | <u>377.657.528</u> |

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7. FINANCIAL BORROWINGS (continued)

The repayment schedule of the borrowings as of 31 December 2016 and 31 December 2015 is as follows:

| | 31 December 2016 | 31 December 2015 |
|------------------------------|---------------------|---------------------|
| To be paid within 1 year | 575.080.677 | 164.490.573 |
| To be paid between 1-2 years | 85.185.225 | 120.810.503 |
| To be paid between 2-3 years | 44.892.072 | 30.841.174 |
| To be paid between 3-4 years | 37.020.065 | 22.177.148 |
| To be paid between 4-5 years | 30.640.292 | 18.530.770 |
| More than 5 years | 14.199.104 | 20.807.360 |
| | 787.017.435 | 377.657.528 |

According to feasibility studies, Afyon Çimento Sanayi Türk A.Ş., the subsidiary of the Group, needed USD 165.000.000 fund for reestablish the current production facilities in rural area with modern technologies. TL 97.000.000 fund that was provided from the share capital increase from TL 3.000.000 to TL 100.000.000 was used for financing investment expenditures. The remaining part of the investment expenditures was financed with long term bank borrowings. For TL 300.000.000 line of credit, loan agreements were signed with 2 banks in 2015. TL 100.000.000 with 10,83% fixed interest and TL 200.000.000 with 10,35% fixed interest was used from TSKB and Türkiye İş Bankası respectively. Maturities are 7 years and in first two years no principal payment are made.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|---------------------|
| Short-term other receivables | | |
| Due from personnel | 426.808 | 612.573 |
| Receivables from insurance claims | 108.799 | 245.947 |
| Other miscellaneous receivables | 755.424 | 753.646 |
| Provision for doubtful other receivables (-) | (755.424) | (753.646) |
| | 535.607 | 858.520 |

Movement of provision for other doubtful receivables in periods ending as of December 31, 2016 and December 31, 2015 is presented as follows:

| | 1 January 31 December 2016 | 1 January 31 December 2015 |
|---|-------------------------------|-------------------------------|
| Allowance for doubtful receivables (-) | | |
| Opening Balance | 753.646 | 753.646 |
| Provisions during the period (Note 21) | 2.292 | - |
| Reversal of the provision (-) (Note 21) | (514) | - |
| Closing Balance | 755.424 | 753.646 |

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8. OTHER RECEIVABLES AND OTHER PAYABLES (continued)

| Long-term other receivables | 31 December 2016 | 31 December 2015 |
|-------------------------------|---------------------|---------------------|
| Deposits and guarantees given | 3.280.920 | 3.300.320 |
| | <u>3.280.920</u> | <u>3.300.320</u> |

b. Other payables

| Short-term other payables | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Deposits and guarantees received | 5.585.105 | 5.058.128 |
| Taxes and funds payable | 3.259.691 | 2.773.279 |
| Other payables to related parties (Note 26) | 1.371.587 | 1.901.067 |
| Other trade payables | 22.912 | - |
| | <u>10.239.295</u> | <u>9.732.474</u> |

9. INVENTORIES

| Inventories | 31 December 2016 | 31 December 2015 |
|------------------------------------|---------------------|---------------------|
| Raw materials | 107.721.750 | 61.211.670 |
| Work-in progress | 47.625.975 | 17.178.246 |
| Finished goods | 19.796.584 | 17.519.951 |
| Other inventories | 5.503.086 | 3.758.332 |
| Inventory impairment provision (-) | (3.743.566) | (3.603.489) |
| | <u>176.903.829</u> | <u>96.064.710</u> |

Inventory impairment provision movement

| Inventory impairment provision movement: | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Opening balance | 3.603.489 | 2.335.708 |
| Provisions during the period (Note 20) | 140.077 | 1.280.918 |
| Reversal of the provision (-) (Note 20) | - | (13.137) |
| Closing balance | <u>3.743.566</u> | <u>3.603.489</u> |

The Group allocates an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been recognized under cost of sales.

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10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Short-term provision expenses | | |
| Advances given to suppliers | 12.107.775 | 2.580.495 |
| Prepaid expenses | 10.063.089 | 1.146.982 |
| | <u>22.170.864</u> | <u>3.727.477</u> |
| Long-term provision expenses | | |
| Advances given for the purchase of fixed assets | 32.104.532 | 41.561.642 |
| Prepaid expenses | 97.259 | 111.859 |
| | <u>32.201.791</u> | <u>41.673.501</u> |

TL 26.744.074 of long-term prepaid expenses consist of advances given for the purchase of fixed assets with regard to investments in new factories Afyon, Niğde, Eskişehir (31 December 2015: 22.889.333 TL).

b. Deferred income

| | 31 December 2016 | 31 December 2015 |
|----------------------------|---------------------|---------------------|
| Short-term deferred income | | |
| Advanced received | 6.036.615 | 5.470.077 |
| Deferred income | 1.467.078 | 965.468 |
| | <u>7.503.693</u> | <u>6.435.545</u> |

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11. PROPERTY, PLANT AND EQUIPMENT

| | Land | Land Improvements | Buildings | Machinery and Equipment |
|--|--------------------|---------------------|----------------------|-------------------------|
| Cost Value | | | | |
| Opening Balance as of 1 January 2016 | 88.225.504 | 85.179.489 | 271.252.231 | 1.101.480.394 |
| Currency translation difference | 1.026.541 | 286.473 | 7.591.642 | 9.735.392 |
| Additions | 16.566.084 | 483.654 | 116.159 | 14.430.004 |
| Disposals | (33.701) | (8.236) | - | (2.000.920) |
| Transfers from construction in progress ^(*) | - | 3.613.787 | 824.092 | 23.830.145 |
| Closing Balance as of 31 December 2016 | 105.784.429 | 89.555.167 | 279.784.124 | 1.147.475.015 |
| Accumulated Depreciation | | | | |
| Opening Balance as of 1 January 2016 | - | (39.739.909) | (116.811.170) | (727.095.545) |
| Currency translation difference | - | (153.177) | (3.511.804) | (10.617.995) |
| Impairment ^(**) | - | (1.432.624) | (5.818.162) | - |
| Charge for the period | - | (4.060.705) | (3.246.404) | (38.024.678) |
| Disposals | - | 2.970 | - | 1.566.183 |
| Closing Balance as of 31 December 2016 | - | (45.383.445) | (129.387.540) | (774.172.035) |
| Net Book Value as of 31 December 2016 | 105.784.429 | 44.171.722 | 150.396.584 | 373.302.980 |

There is no mortgage of pledge over assets of the Group amounting to TL 80.000.446 as of December 31, 2016 (December 31, 2015 - TL 67.530.466).

^(*) Construction in progress is related to investments made by the Group to Afyon, Eskişehir and Niğde factories. Capitalized financing expense and financing income over construction in progress is TL 47.305.417 and TL 2.593.098 respectively as of December 31, 2016 and capitalized net financing cost over construction in progress is TL 44.712.319 (December 31, 2015: TL 17.138.756).

^(**) The Group has allocated impairment for buildings and land improvements accounts through considering changes in current market conditions as of December 31, 2016. The whole impairment loss has been recognized under cost of sale account.

| | Land | Land Improvements | Buildings | Machinery and Equipment |
|---|-------------------|---------------------|----------------------|-------------------------|
| Cost Value | | | | |
| Opening Balance as of 1 January 2015 | 84.108.849 | 81.550.024 | 247.771.392 | 1.027.408.475 |
| Currency translation difference | 2.708.169 | 138.613 | 4.548.014 | 8.662.445 |
| Additions | 1.391.408 | - | 7.530.804 | 16.666.971 |
| Disposals | (10.458) | - | (47.941) | (1.753.969) |
| Transfers from construction in progress | 27.536 | 3.490.852 | 11.449.962 | 50.496.472 |
| Closing Balance as of 31 December 2015 | 88.225.504 | 85.179.489 | 271.252.231 | 1.101.480.394 |
| Accumulated Depreciation | | | | |
| Opening Balance as of 1 January 2015 | - | (34.324.155) | (108.500.543) | (678.407.422) |
| Currency translation difference | - | (72.078) | (2.122.102) | (7.700.121) |
| Charge for the period | - | (5.343.676) | (6.200.498) | (42.656.810) |
| Disposals | - | - | 11.973 | 1.668.808 |
| Closing Balance as of 31 December 2015 | - | (39.739.909) | (116.811.170) | (727.095.545) |
| Net Book Value as of 31 December 2015 | 88.225.504 | 45.439.580 | 154.441.061 | 374.384.849 |

| Vehicles | Furniture and Fixture | Other Tangible Assets | Leasehold Improvements | Construction in Progress | Total |
|---------------------|-----------------------|-----------------------|------------------------|--------------------------|------------------------|
| 84.482.342 | 15.152.350 | 819.469 | 2.283.859 | 188.609.930 | 1.837.485.568 |
| 764.057 | 187.562 | 41.486 | - | - | 19.633.154 |
| 228.159 | 1.233.698 | 273.637 | - | 620.670.541 | 654.001.936 |
| (2.595.428) | (12.429) | - | - | (305.833) | (4.956.547) |
| 570.642 | 954.224 | - | - | (29.792.890) | - |
| <u>83.449.772</u> | <u>17.515.405</u> | <u>1.134.592</u> | <u>2.283.859</u> | <u>779.181.748</u> | <u>2.506.164.111</u> |
| (50.387.517) | (8.978.948) | (375.556) | (2.139.253) | - | (945.527.898) |
| (800.821) | (206.548) | (88.576) | - | - | (15.378.921) |
| - | - | - | - | - | (7.250.786) |
| (8.708.804) | (1.336.013) | (50.199) | (39.556) | - | (55.466.359) |
| 2.416.788 | 11.290 | - | - | - | 3.997.232 |
| <u>(57.480.354)</u> | <u>(10.510.219)</u> | <u>(514.331)</u> | <u>(2.178.809)</u> | <u>-</u> | <u>(1.019.626.732)</u> |
| <u>25.969.418</u> | <u>7.148.236</u> | <u>620.261</u> | <u>105.050</u> | <u>779.181.748</u> | <u>1.486.537.379</u> |

| Vehicles | Furniture and Fixture | Other Tangible Assets | Leasehold Improvements | Construction in Progress | Total |
|---------------------|-----------------------|-----------------------|------------------------|--------------------------|----------------------|
| 88.282.936 | 11.472.179 | 547.409 | 2.202.466 | 49.413.806 | 1.592.757.536 |
| 1.090.142 | 1.846.028 | 112.772 | 15.350 | - | 19.121.533 |
| 725.445 | 602.999 | 99.737 | - | 215.906.796 | 242.924.160 |
| (14.326.597) | (34.489) | - | - | - | (16.173.454) |
| 8.710.416 | 1.265.633 | 59.551 | 66.043 | (76.710.672) | (1.144.207) |
| <u>84.482.342</u> | <u>15.152.350</u> | <u>819.469</u> | <u>2.283.859</u> | <u>188.609.930</u> | <u>1.837.485.568</u> |
| (55.307.222) | (7.071.512) | (302.871) | (2.056.322) | - | (885.970.047) |
| (96.435) | (111.272) | (23.694) | - | - | (10.125.702) |
| (9.228.226) | (1.825.131) | (48.991) | (82.931) | - | (65.386.263) |
| 14.244.366 | 28.967 | - | - | - | 15.954.114 |
| <u>(50.387.517)</u> | <u>(8.978.948)</u> | <u>(375.556)</u> | <u>(2.139.253)</u> | <u>-</u> | <u>(945.527.898)</u> |
| <u>34.094.825</u> | <u>6.173.402</u> | <u>443.913</u> | <u>144.606</u> | <u>188.609.930</u> | <u>891.957.670</u> |

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

The distribution of depreciation charge for the property, plant and equipment is as follows;

| | 1 January 31 December 2016 | 1 January 31 December 2015 |
|--|-------------------------------|-------------------------------|
| Cost of sales/depreciation (Note 20) | 53.988.099 | 63.719.798 |
| Cost of sales/impairment (Note 20) | 7.250.786 | - |
| General administrative expenses (Note 20) | 1.428.567 | 1.625.978 |
| Marketing, sales and distribution expenses (Note 20) | 49.693 | 40.487 |
| | <u>62.717.145</u> | <u>65.386.263</u> |

12. GOODWILL

The goodwill amount presented in the Group's financial statements as of 31 December 2016 is related to Eskişehir and Ankara Cement Factories ("Standart Çimento") acquired in 2005, Çimsa Cement located in TRNC, Bilecik Ready Mix Cement Facilities acquired in 2008, Med. Con. S.r.l., Trieste, Italy acquired on February 9, 2010, and Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012. The movement of goodwill for the periods ending 31 December 2016 and 31 December 2015 is stated below.

| | Opening | Effect of the acquired subsidiary | Currency Translation Differences | Total |
|-----------------------------|--------------------|---|--|--------------------|
| 31 December 2016 | | | | |
| Eskişehir - Ankara | 132.140.806 | - | - | 132.140.806 |
| Afyon Çimento Sanayi T.A.Ş. | 11.358.393 | - | - | 11.358.393 |
| Bilecik Hazır Beton | 4.293.971 | - | - | 4.293.971 |
| Çimsa Cement Free Zone Ltd. | 326.082 | - | - | 326.082 |
| | <u>148.119.252</u> | <u>-</u> | <u>-</u> | <u>148.119.252</u> |
| | | | | |
| | Opening | Effect of the acquired subsidiary | Currency Translation Differences | Total |
| 31 December 2015 | | | | |
| Eskişehir - Ankara | 132.140.806 | - | - | 132.140.806 |
| Afyon Çimento Sanayi T.A.Ş. | 11.358.393 | - | - | 11.358.393 |
| Bilecik Hazır Beton | 4.293.971 | - | - | 4.293.971 |
| Çimsa Cement Free Zone Ltd. | 326.082 | - | - | 326.082 |
| | <u>148.119.252</u> | <u>-</u> | <u>-</u> | <u>148.119.252</u> |

As it is mentioned in Note 2.6, impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates annually or more frequently if events or changes in circumstances indicate that the carrying value may be impair. Recoverable amount of the cash-generating unit is determined less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Recoverable amount is calculated between the dates of 1 January 2017 and 31 December 2021 through 5 years business plan which is approved by the management. The main assumptions used in the discounted cash flow considers 13,50% the weighted average cost of capital (WACC) and sales price and cost price increases in line with macroeconomic estimations. As a result of assessment, the recoverable amount of goodwill exceeded its carrying amount and therefore no impairment has been identified as of December 31, 2016.

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13. INTANGIBLE ASSETS

| | Mining Rights | Other Intangible Assets | Total |
|--|---------------------|-------------------------|---------------------|
| Cost Value | | | |
| Opening Balance as of 1 January 2016 | 31.098.361 | 7.785.442 | 38.883.803 |
| Currency translation difference | - | 398.248 | 398.248 |
| Additions | - | 2.270.020 | 2.270.020 |
| Disposals | (161.831) | - | (161.831) |
| Closing Balance as of 31 December 2016 | <u>30.936.530</u> | <u>10.453.710</u> | <u>41.390.240</u> |
| Accumulated Amortization | | | |
| Opening Balance as of 1 January 2016 | (15.240.189) | (4.280.757) | (19.520.946) |
| Currency translation difference | - | (15.312) | (15.312) |
| Charge for period | (2.334.537) | (734.558) | (3.069.095) |
| Disposals | 161.831 | - | 161.831 |
| Closing Balance as of 31 December 2016 | <u>(17.412.895)</u> | <u>(5.030.627)</u> | <u>(22.443.522)</u> |
| Net Book Value as of 31 December 2016 | <u>13.523.635</u> | <u>5.423.083</u> | <u>18.946.718</u> |
| Cost Value | | | |
| Opening Balance as of 1 January 2015 | 31.098.361 | 5.551.131 | 36.649.492 |
| Currency translation difference | - | 9.516 | 9.516 |
| Additions | - | 1.080.588 | 1.080.588 |
| Transfers from investments | - | 1.144.207 | 1.144.207 |
| Closing Balance as of 31 December 2015 | <u>31.098.361</u> | <u>7.785.442</u> | <u>38.883.803</u> |
| Accumulated Amortization | | | |
| Opening Balance as of 1 January 2015 | (13.149.168) | (3.847.660) | (16.996.828) |
| Currency translation difference | - | (47.665) | (47.665) |
| Charge for period | (2.091.021) | (385.432) | (2.476.453) |
| Closing Balance as of 31 December 2015 | <u>(15.240.189)</u> | <u>(4.280.757)</u> | <u>(19.520.946)</u> |
| Net Book Value as of 31 December 2015 | <u>15.858.172</u> | <u>3.504.685</u> | <u>19.362.857</u> |

The mining rights are amortized in proportion to the reserves consumed in the current year to the total reserves. The remaining amortization period depends on the duration of the depletion of the remaining reserves.

The distribution of amortization charge for intangible assets is as follows:

| | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|--|---------------------------------|---------------------------------|
| Cost of sales (Note 20) | 2.987.299 | 2.413.337 |
| General Administrative Expenses (Note 20) | 79.046 | 61.583 |
| Marketing, sales and distribution expenses (Note 20) | 2.750 | 1.533 |
| | <u>3.069.095</u> | <u>2.476.453</u> |

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Short-term provisions | | |
| Provision for litigations | 13.952.900 | 12.780.141 |
| Short-term provisions for employee benefits (Note 16) | 4.700.000 | 4.613.000 |
| | 18.652.900 | 17.393.141 |

The movement of "Provision for the litigations" as of 31 December 2016 and 31 December 2015 is stated below:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Provision for the litigation movement | | |
| Opening balance | 12.780.141 | 10.700.000 |
| Additional provision (Note 21) | 1.172.759 | 3.415.688 |
| Provision paid during the period (-) (Note 21) | - | (1.335.547) |
| Closing balance | 13.952.900 | 12.780.141 |

As of 31 December 2016, the Group provided provision for an amount of TL 13.952.900 based on the opinion of the legal advisors related to the cases which have a risk to result against the Group (31 December 2015: TL 12.780.141).

b. Long-Term Provisions

| | 31 December 2016 | 31 December 2015 |
|---------------------------------------|---------------------|---------------------|
| Long-term provisions | | |
| Long-term employee benefits (Note 16) | 27.391.725 | 24.969.621 |
| Other long term provisions | 4.239.116 | 4.693.925 |
| | 31.630.841 | 29.663.546 |
| | | |
| Other long term provisions | | |
| | | |
| Recultivation provision | 4.102.548 | 4.491.382 |
| Provision for the unlawful occupation | 136.568 | 202.543 |
| | 4.239.116 | 4.693.925 |

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TL 4.102.548 under "Other Long Term Provisions" as of 31 December 2016 (31 December 2015: TL 4.491.382).

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

b. Long Term Provisions (continued)

Movement of recultivation provision as of December 31, 2016 and December 31, 2015 is as follows:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|----------------------------------|--------------------------------|--------------------------------|
| Recultivation provision movement | | |
| Opening balance | 4.491.382 | 4.814.648 |
| Additional provision (Note 21) | - | 16.942 |
| Provision paid (-) (Note 21) | (388.834) | (340.208) |
| Closing balance | <u>4.102.548</u> | <u>4.491.382</u> |

Movement statements of "Unlawful occupation provision" as of December 31 2016 and December 31, 2015:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Unlawful occupation provision movement | | |
| Opening balance | 202.543 | 76.000 |
| Additional provision (Note 21) | 133.802 | 126.543 |
| Provision paid | (199.777) | - |
| Closing balance | <u>136.568</u> | <u>202.543</u> |

A usage fee is paid to Afyonkarahisar Governorship National Real Estate Directorate with respect to field having an area of 17.281 m2 which is included in factory field of Afyon Çimento Sanayi Türk A.Ş. and owned by National Real Estate Directorate. The Group has made a provision amounting to TL 136.568 as of December 31, 2016 (December 31, 2015: TL 202.543).

c. Contingent Liabilities:

Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa"), of which the Group owns 32,875% of the shares and is an investment accounted by equity method was subject to tax investigation in the year 2012 regarding corporate tax calculation for the year 2010 and tax charge amounting to TL 39.219.428 (effect to the Group: TL 12.893.387) and related penalty amounting to TL 58.829.143 (effect to the Group: TL 19.340.081) were charged to Exsa on 22 January 2013. The tax investigation was related to the spin off transaction in the year 2010 for which the tax investigation report prepaid in the year 2011. Exsa made settlement with the Ministry of Finance for the report prepaid in the year 2011. Exsa appealed for a reconciliation settlement process for the report prepared in 2012 and notified on 22 January 2013, related with the same subject and the same year, but no settlement was reached. Exsa filed a lawsuit. The lawsuit has been concluded in favor of Exsa on 9 May 2014 and the decision has been appealed by the Revenue Administration. In November 2016, Exsa paid TL 9.101.888 (effect to the Group: TL 2.992.246) within the scope of Law number 6736 (restructuring of the receivables) for the potential penalties that can be occurred due to this lawsuit stated above. Exsa has not yet received the declaration related to the closing of this lawsuit from Tax Administration.

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15. COMMITMENTS

As of 31 December 2016, the details of the CPM received are as follows:

| | Original Currency | 31 December 2016 | |
|---|----------------------|--------------------|--------------------|
| | | Original Amount | TL Balance |
| A. Total CPM given for the Company's own legal entity | TL | 70.397.889 | 70.397.889 |
| | USD | 24.673.553 | 86.831.168 |
| | EUR | 17.805.600 | 66.056.995 |
| B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis | | - | - |
| C. Total CPM given in favour of other 3rd parties for ordinary trading operations | | - | - |
| D. Other CPM given | | - | - |
| i. Total CPM given in favour of parent entity | | - | - |
| ii. Total CPM given in favour of other Group companies out of scope of clause B and C | | - | - |
| iii. Total CPM given in favour of other 3rd parties out of scope of clause C | | - | - |
| | | | <u>223.286.052</u> |

As of 31 December 2015, the details of the CPM received are as follows:

| | Original Currency | 31 December 2015 | |
|---|----------------------|--------------------|--------------------|
| | | Original Amount | TL Balance |
| A. Total CPM given for the Company's own legal entity | TL | 70.517.260 | 70.517.260 |
| | USD | 26.772.396 | 62.082.509 |
| | EUR | 17.805.600 | 50.224.256 |
| B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis | | - | - |
| C. Total CPM given in favour of other 3rd parties for ordinary trading operations | | - | - |
| D. Other CPM given | | - | - |
| i. Total CPM given in favour of parent entity | | - | - |
| ii. Total CPM given in favour of other Group companies out of scope of clause B and C | | - | - |
| iii. Total CPM given in favour of other 3rd parties out of scope of clause C | | - | - |
| | | | <u>182.824.025</u> |

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15. COMMITMENTS (continued)

As of 31 December 2016 and 31 December 2015, the details of the CPM given are as follows:

| | Original Currency | 31 December 2016 | | 31 December 2015 | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|
| | | Original Amount | TL Balance | Original Amount | TL Balance |
| A. Total CPM given for the Company's own legal entity | TL | 70.397.889 | 70.397.889 | 70.517.260 | 70.517.260 |
| | USD | 24.673.553 | 86.831.168 | 26.772.396 | 62.082.509 |
| | EUR | 17.805.600 | 66.056.995 | 17.805.600 | 50.224.256 |
| B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis | | - | - | - | - |
| C. Total CPM given in favour of other 3rd parties for ordinary trading operations | | - | - | - | - |
| D. Other CPM given | | - | - | - | - |
| i. Total CPM given in favour of parent entity | | - | - | - | - |
| ii. Total CPM given in favour of other Group companies out of scope of clause B and C | | - | - | - | - |
| iii. Total CPM given in favour of other 3rd parties out of scope of clause C | | - | - | - | - |
| | | | <u>223.286.052</u> | | <u>182.824.025</u> |

As of December 31, 2016, the ratio of other TRIs given by the Group to the Group's own funds is 0% (31 December 2015: 0%).

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16. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

| | 31 December 2016 | 31 December 2015 |
|---------------------------------------|---------------------|---------------------|
| Social security payables | 3.967.141 | 2.006.245 |
| Personnel withholding tax | 1.918.611 | 1.611.566 |
| Wage and salary payables to personnel | 1.206.497 | 790.913 |
| | <u>7.092.249</u> | <u>4.408.724</u> |

b. Short Term Employee Benefits

For the year ended December 31, 2016 the bonus accrual is amounting to TL 4.700.000 (December 31, 2015: TL 4.613.000).

c. Long Term Employee Benefits

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Retirement pay provision | 23.635.650 | 21.854.655 |
| Provision for unpaid vacation liability | 2.889.926 | 2.317.877 |
| Seniority provision | 866.149 | 797.089 |
| | <u>27.391.725</u> | <u>24.969.621</u> |

The movement of "Retirement Pay Provision" for the periods ended 31 December 2016 and 31 December 2015 is stated below:

| | 1 January 31 December 2016 | 1 January 31 December 2015 |
|----------------------------------|-------------------------------|-------------------------------|
| Opening balance | 21.854.655 | 16.721.485 |
| Service cost | 3.014.295 | 3.980.545 |
| Interest cost (Note 21) | 803.040 | 608.147 |
| Actuarial loss/(gain) | 565.440 | 3.145.601 |
| Provision paid during the period | (2.574.400) | (2.819.172) |
| Currency translation difference | (27.380) | 218.049 |
| Closing balance | <u>23.635.650</u> | <u>21.854.655</u> |

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

Such payments are calculated on the basis of one month's pay limited to a maximum of full TL 4.297,21 as of 31 December 2016 (31 December 2015: full TL 4.092,53).

As of 31 December 2016, retirement pay provision is reflected in the consolidated financial statements by using the "Projection Method" based on actuary method and assumptions made by professional actuaries.

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16. EMPLOYEE BENEFITS (continued)

c. Long Term Employee Benefits (continued)

The main actuarial assumptions used to calculate the liability at the balance sheet dates are as follows:

| | 31 December 2016 | 31 December 2015 |
|---------------------------------------|---------------------|---------------------|
| Discount Rate | 9,00% | 9,00% |
| Estimated increase rate | 5,00% | 5,00% |
| Net discount rate | 3,81% | 3,81% |
| Employee turnover rate ⁽¹⁾ | 3,55% | 3,55% |

⁽¹⁾ Probability of leave of employment for workers who exceed 15 years of working time is not used in the calculation of December 31, 2015. The effect of additional provision occurred due to changes in these estimations is accounted in actuarial losses/gains on defined benefit plans under equity.

The movement of "Provision for Unpaid Vacation Liability" for the periods ended 31 December 2016 and 31 December 2015 is stated below:

| | 1 January 31 December 2016 | 1 January 31 December 2015 |
|----------------------------------|-------------------------------|-------------------------------|
| Opening balance | 2.317.877 | 2.130.200 |
| Additional provision | 855.429 | 549.900 |
| Provision paid during the period | (296.105) | (374.784) |
| Currency translation difference | 12.725 | 12.561 |
| Closing balance | <u>2.889.926</u> | <u>2.317.877</u> |

The movement of "Seniority Provision" for the periods ended 31 December 2016 and 31 December 2015 is stated below:

| | 1 January 31 December 2016 | 1 January 31 December 2015 |
|----------------------------------|-------------------------------|-------------------------------|
| Opening balance | 797.089 | 638.560 |
| Additional provision | 285.629 | 390.231 |
| Provision paid during the period | (216.569) | (231.702) |
| Closing balance | <u>866.149</u> | <u>797.089</u> |

17. OTHER ASSETS AND LIABILITIES

a. Other assets

| | 31 December 2016 | 31 December 2015 |
|-----------------------------|---------------------|---------------------|
| Other current assets | | |
| Deferred VAT ⁽¹⁾ | 25.243.947 | 10.810.997 |
| Job and personnel advances | 1.494.910 | 2.544.806 |
| Other current assets | 684.801 | 65.872 |
| | <u>27.423.658</u> | <u>13.421.675</u> |

⁽¹⁾ TL 13.279.264 of Deferred VAT is related with the purchases made as part of new investment in Afyon Çimento T.A.Ş. (31 December 2015: TL 7.107.161). Deferred VAT is expected to be deducted from VAT payables within one year.

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17. OTHER ASSETS AND LIABILITIES (continued)

a. Other assets (continued)

| | 31 December 2016 | 31 December 2015 |
|-----------------------------|---------------------|---------------------|
| Other non-current assets | | |
| Deferred VAT ⁽¹⁾ | 29.434.342 | - |
| Export VAT ⁽²⁾ | 3.027.118 | 4.031.168 |
| Other non-current assets | 2.902 | 3.034 |
| | <u>32.464.362</u> | <u>4.034.202</u> |

⁽¹⁾ Due to the new investment of Afyon Çimento T.A.Ş., the portion of VAT amounting to 29.434.342 TL will be deducted in a longer period than a year according to the estimations of the Group.

⁽²⁾ According to VAT Law no 11/c, the VAT amount regarding to the goods which are rendered to export dealers by manufacturers is not collected, and are recorded to export VAT and deferred VAT accounts. Uncollected VAT is declared on related VAT declaration; accrued VAT is deferred and recorded to deferred VAT accounts. After verification of the realization of export, tax administration makes cancellation for the deferred VAT.

b. Other liabilities

| | 31 December 2016 | 31 December 2015 |
|------------------------------|---------------------|---------------------|
| Other short term liabilities | | |
| Other short term liabilities | 7.288.079 | 3.615.238 |
| | <u>7.288.079</u> | <u>3.615.238</u> |

18. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2016 and 31 December 2015, the composition of shareholders is as follows:

| Shareholders ⁽¹⁾ | 31 December 2016 | | 31 December 2015 | |
|--|------------------|--------------------|------------------|--------------------|
| | (%) | Amount | (%) | Amount |
| Hacı Ömer Sabancı Holding A.Ş. | 49,42 | 66.765.208 | 49,42 | 66.765.208 |
| Aberdeen Asset Managers Limited ⁽²⁾ | 9,68 | 13.076.927 | 11,39 | 15.386.524 |
| Akçansa Çimento San. ve Tic. A.Ş. | 8,98 | 12.130.560 | 8,98 | 12.130.560 |
| Adana Çimento San. T.A.Ş. | 5,11 | 6.908.993 | 5,11 | 6.908.993 |
| Hacı Ömer Sabancı Vakfı | 0,11 | 150.000 | 0,11 | 150.000 |
| Other shareholders | 26,69 | 36.052.754 | 24,98 | 33.743.157 |
| Nominal share capital | 100 | 135.084.442 | 100 | 135.084.442 |
| Inflation adjustment | | 41.741.516 | | 41.741.516 |
| Rearranged share capital | | <u>176.825.958</u> | | <u>176.825.958</u> |

⁽¹⁾ Public quotation of the Group in BIST is 41,47% as of 31 December 2016 (31 December 2015: 41,47%)

⁽²⁾ Aberdeen Asset Management Limited holds 9,68% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2015: 11,39%).

The share capital of the Group as of 31 December 2016 consists of 135.084.442 shares (31 December 2015: 135.084.442 shares). The nominal value per share is 1 TL (31 December 2015: per share 1 TL).

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18. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

Restricted reserves and retained earnings

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Group's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Group's share capital. The legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves can not be used.

Retained earnings

The Ordinary General Assembly of 2015 has been held on 28 March 2016, the decisions to pay TL 201.275.818 of dividend (2014: TL 174.529.099) and to allocate TL 19.452.160 of "Legal reserves" (2014: TL 16.777.487) and TL 114.413 "Extraordinary reserves" (2014: TL 1.647.072) were unanimously approved and the payment was completed by distributing the first part of TL 116.580.618 on 30.03.2016, and the remaining on 01.04.2016 (Note 25).

Available for sales financial assets revaluation reserve

Exsa, which is the Group's investment accounted by equity method, purchased shares of Hacı Ömer Sabancı Holding A.Ş. amounting TL 190.470.244. Those shares are classified as available for sale financial assets in financial statements and accounted in available for sales financial assets revaluation reserve under shareholder's equity by taking into consideration its deferred tax effect.

Profit Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on financial statements of the Company.

Companies should include at least the following in their profit distribution policies:

- Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
- Payment type of dividend distribution.
- Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
- Whether dividend advances will be distributed, and if distributed, the related principles.

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

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18. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

As of 31 December 2016 and 31 December 2015, the composition of consolidated legal reserves, extraordinary reserves, accumulated profit, share premiums and other reserves existing in the statutory records of the Company can be summarized as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Legal reserves | 168.519.607 | 153.288.088 |
| Other capital reserves ⁽¹⁾ | 52.435.267 | 238.622.403 |
| Extraordinary reserves | 261.554.054 | 52.812.384 |
| Accumulated profit due to inflation difference ⁽¹⁾ | 248.652.830 | 68.691.034 |
| Share premiums | 30.131 | 30.131 |
| Special funds | (4.844.261) | 15.698.724 |
| | <u>726.347.628</u> | <u>529.142.763</u> |

⁽¹⁾In accordance with dividend principles belonging to 2015 and approved in Ordinary General Assembly held on March 28, 2016, it is decided to allocate TL 114,414 and TL 19,452,160 of TL 220,842,391, which is net distributable profit of the period included in legal records prepared in accordance with Tax Procedure Law, as Extraordinary Reserve and Legal Reserve respectively.

Foreign currency translation differences

According to TAS 21 "Effects of Changes in Foreign Exchange Rates", during the consolidation, the assets and liabilities of Group's subsidiaries and joint ventures in foreign countries are translated to Turkish Lira with respect to the exchange rates on the balance sheet date. Income and expense items are translated via the average exchange rates. The differences emerged as a result of using the closing and average exchange rates are accounted for as foreign currency translation differences in the comprehensive statement of income.

Non-controlling interests

All non-controlling shares are eliminated from the equity accounts, including paid-in capital, of the consolidated subsidiaries and presented as a non-controlling interest in shareholders' equity in the consolidated balance sheet.

19. REVENUE

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|----------------------|--------------------------------|--------------------------------|
| Sales | | |
| Domestic sales | 878.219.293 | 907.483.822 |
| Export sales | 396.020.207 | 375.461.368 |
| Sales discounts (-) | (25.940.380) | (20.540.809) |
| Other deductions (-) | (77.989.189) | (91.258.720) |
| | <u>1.170.309.931</u> | <u>1.171.145.661</u> |

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20. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January - 31 December 2016 and 2015 is as follows:

| Cost of sales | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|---|--------------------------------|--------------------------------|
| Energy costs | (268.194.690) | (286.781.090) |
| Direct material and supplies expenses | (236.929.339) | (188.623.514) |
| Depreciation and amortization expenses | (56.975.398) | (66.133.135) |
| Direct labor expenses | (56.398.631) | (49.226.013) |
| Other production expenses | (183.034.674) | (189.757.809) |
| Impairment ⁽¹⁾ | (7.250.786) | - |
| Total production cost | <u>(808.783.518)</u> | <u>(780.521.561)</u> |
| Inventory impairment provision (Note: 9) | (140.077) | (1.280.918) |
| Change in work-in-process | 30.447.729 | (16.772.561) |
| Change in finished goods | (1.933.984) | 3.086.467 |
| Released inventory impairment provision (Note: 9) | - | 13.137 |
| Cost of trade goods sold and other | (14.451.666) | (10.770.596) |
| | <u>(794.861.516)</u> | <u>(806.246.032)</u> |

⁽¹⁾ As of December 31, 2016, the Group is accounted for impairment on buildings, land and land improvements considering the changes in current market conditions.

The detail of general administration expenses for the periods between 1 January - 31 December 2016 and 2015 is as follows:

| General administration expenses | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Personnel expenses | (32.103.237) | (27.053.961) |
| Consultancy expenses | (14.517.994) | (8.340.062) |
| Tax, duty and charges | (8.652.848) | (6.351.591) |
| Retirement pay provisions | (2.663.724) | (3.566.632) |
| IT expenses | (4.324.289) | (2.907.464) |
| Travel expenses | (2.352.637) | (2.385.031) |
| Communication and advertising expenses | (2.910.383) | (2.229.960) |
| Representation expenses | (2.717.973) | (1.331.180) |
| Depreciation and amortization expenses | (1.507.613) | (1.687.561) |
| Rent expenses | (1.532.428) | (1.385.659) |
| Insurance expenses | (1.482.418) | (1.275.062) |
| Maintenance expenses | (435.948) | (373.513) |
| Other miscellaneous expenses | (4.723.219) | (5.358.127) |
| | <u>(79.924.712)</u> | <u>(64.245.803)</u> |

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20. OPERATING EXPENSES BY NATURE (continued)

The detail of marketing, selling and distribution expense for the periods between 1 January - 31 December 2016 and 2015 is as follows:

| Marketing, selling and distribution expenses | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Personnel expenses | (6.109.183) | (4.960.083) |
| Representation expenses | (95.764) | (1.091.829) |
| Travel expenses | (1.100.506) | (890.813) |
| Insurance expenses | (386.201) | (354.786) |
| Rent expenses | (330.316) | (287.421) |
| Communication and advertising expenses | (60.383) | (51.122) |
| Depreciation and amortization expenses | (52.443) | (42.020) |
| Consultancy expenses | (249.162) | (30.173) |
| Other miscellaneous expenses | (1.360.449) | (1.046.178) |
| | (9.744.407) | (8.754.425) |

21. OTHER OPERATING INCOME AND EXPENSES

| Other operating income | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Foreign exchange gain from operating activities | 40.096.010 | 37.224.369 |
| Sales of scrap and miscellaneous material | 1.425.852 | 1.922.121 |
| Released provisions (Note 6/8/14) | 610.570 | 1.910.025 |
| Overdue and interest income from operating activities | 1.802.132 | 1.301.080 |
| Other income | 1.929.152 | 1.068.576 |
| | 45.863.716 | 43.426.171 |
| Other operating expense | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
| Foreign exchange loss from operating activities | (11.560.324) | (23.884.470) |
| Provision expenses (Note 6/8/14) | (4.130.186) | (5.422.556) |
| Compensation and penalty expenses | (1.882.803) | (1.474.345) |
| Interest expense of retirement pay provision (Note 16) | (803.040) | (608.147) |
| Donations and grants | (1.206.076) | (420.429) |
| Other expenses | (5.941.903) | (4.416.127) |
| | (25.524.333) | (36.226.074) |

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22. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|------------------------------------|--------------------------------|--------------------------------|
| Income from investment activities | | |
| Fixed assets sales income | 1.041.768 | 2.141.762 |
| Rent income | 2.493.172 | 1.362.885 |
| Dividend income | 18.944 | 18.333 |
| | <u>3.553.884</u> | <u>3.522.980</u> |
| Expense from investment activities | | |
| Fixed asset sales expense | (2.169) | (43.467) |
| | <u>(2.169)</u> | <u>(43.467)</u> |

23. FINANCIAL INCOME/EXPENSE

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Financial income | | |
| Interest income | 12.746.874 | 7.914.665 |
| Total financial income | <u>12.746.874</u> | <u>7.914.665</u> |
| Financial expenses | | |
| Foreign exchange loss on bank borrowings | (13.354.134) | (11.756.051) |
| Interest expenses of bank borrowings | (21.864.858) | (9.669.374) |
| Other financial expenses | (1.853.507) | (887.024) |
| Total financial expenses | <u>(37.072.499)</u> | <u>(22.312.449)</u> |

24. INCOME TAXES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries where the Group is operating. In Turkey, the corporation tax rate is 20%. Corporate tax returns are required to be filed until the twentyfifth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent group and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis. Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The dividend payments made other than to the companies resident in Turkey that are not responsible from the corporate and income tax and the dispensed ones and to resident and nonresident individuals and nonresident legal entities in Turkey are due to 15% income tax. The dividend payments made from the resident companies in Turkey to again resident companies in Turkey are not due to tax, and in case of not calculating the profit or not adding to capital, the income tax is not calculated.

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24. INCOME TAXES (continued)

In accordance with the "General Communiqué" (Serial no:1) on "Disguised Profit Distribution Through Transfer Pricing" was published in November 2007, the forms should be prepared until the deadline of annual corporate tax return.

As of 31 December 2016 and 31 December 2015, corporate tax payables are summarized as follows:

| | 31 December 2016 | 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Assets related to the current period taxes | | |
| Prepaid taxes and funds | 4.666.210 | 389.491 |
| | <u>4.666.210</u> | <u>389.491</u> |
| | | |
| | 31 December 2016 | 31 December 2015 |
| Corporate tax payable | | |
| Current period corporate tax provision | (54.612.724) | (58.310.212) |
| Prepaid taxes and funds (-) | 43.410.747 | 47.552.569 |
| | <u>(11.201.977)</u> | <u>(10.757.643)</u> |
| | | |
| Breakdown of tax expenses is as follows: | | |
| | 1 January- 31 December 2016 | 1 January- 31 December 2016 |
| Tax expense | | |
| Current period corporate tax expense | (54.612.724) | (58.310.212) |
| Deferred tax income/(expense) | (2.583.959) | 3.636.588 |
| | <u>(57.196.683)</u> | <u>(54.673.624)</u> |

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24. INCOME TAXES (continued)

Detail of deferred tax assets and liabilities of the Group as of December 31, 2016 and December 31, 2015 is as follows:

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Deferred tax assets: | | |
| Tax losses carried forward ⁽¹⁾ | 2.643.268 | 3.612.190 |
| Provision for employee benefits | 5.428.628 | 5.916.524 |
| Provision for litigations | 2.748.033 | 2.509.653 |
| Recultivation provision | 982.958 | 898.276 |
| Rediscount of receivables | 419.026 | 405.515 |
| Inventory impairment provision | 936.722 | 720.698 |
| Provision for other receivables | 581.721 | 445.411 |
| Other | 5.309.726 | 4.203.590 |
| | <u>19.050.082</u> | <u>18.711.857</u> |
| Deferred tax liabilities: | | |
| Goodwill | (24.589.322) | (24.589.322) |
| Property, plant and equipment and intangible assets | (12.077.015) | (10.298.985) |
| Fair value of derivative instruments | (42.677) | - |
| Rediscount of payables and borrowings | (483.559) | (135.525) |
| | <u>(37.192.573)</u> | <u>(35.023.832)</u> |
| Net deferred tax asset/(liability) | <u>(18.142.491)</u> | <u>(16.311.975)</u> |
| | 31 December 2016 | 31 December 2015 |
| The balance sheet presentation of the deferred tax (assets)/liabilities | | |
| Deferred tax (assets) | 6.973.708 | 7.201.772 |
| Deferred tax liabilities | (25.116.199) | (23.513.747) |
| | <u>(18.142.491)</u> | <u>(16.311.975)</u> |

⁽¹⁾ The subsidiaries of the Group located in foreign countries have total TL 8.695.101 carried forward tax losses as of 31 December 2016 (31 December 2015: TL 12.240.203).

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24. INCOME TAXES (continued)

The movement table of the net deferred tax liabilities is as follows:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|-----------------------------------|-----------------------------------|
| Deferred tax assets/liabilities movement | | |
| Opening balance | 16.311.975 | 20.653.741 |
| Deferred tax (income)/expense | 2.583.959 | (3.636.588) |
| Other accounted under equity | (113.088) | (629.120) |
| Currency translation difference | (640.355) | (76.058) |
| Closing balance | <u>18.142.491</u> | <u>16.311.975</u> |

The reconciliation between the corporate tax expense and net profit for the period is as follows:

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|-----------------------------------|-----------------------------------|
| Tax Reconciliation | | |
| Profit before taxation | 306.257.063 | 302.225.336 |
| Effective statutory income tax rate | 20% | 20% |
| Tax expense at the effective statutory income tax rate | (61.251.413) | (60.445.067) |
| - Non-deductible expenses | (575.924) | (480.454) |
| - Effect of discounts under the law no 6637 ⁽¹⁾ | 3.290.725 | 1.421.050 |
| - Effect of the profit from investments accounted by equity method | 4.182.459 | 2.808.822 |
| - Other | (2.842.530) | 2.022.025 |
| Tax expense in the income statement | <u>(57.196.683)</u> | <u>(54.673.624)</u> |

⁽¹⁾"The Law on Amendment to Certain Laws and Decree Laws" (Law No: 6637) has been promulgated in the Official Gazette dated 7 April 2015 and the Article will enter into force as from 1 July 2015. Capital companies are allowed a deemed interest deduction that is equal to 50% of the interest calculated on the cash capital increase in the registered capital of the existing corporations or cash capital contributions of the newly incorporated corporations based on the average interest rate announced by the Central Bank of Turkey for TL denominated commercial loans, from their Corporate tax base of the relevant year. Within the scope of the authorization provision in the legal regulation, the Council of Ministers amended this rate with the Decision no. 2015/7910 published in the Official Gazette dated 30 June 2015. Accordingly, the deduction will be applied as follows;

- For publicly held capital companies whose shares are traded in the stock exchange, 25 points will be added to 50% rate where the ratio of the nominal value of shares followed up as tradable shares in the stock exchange by Merkezi Kayıt Kuruluşu A.Ş. to the registered paid-in or removed capital is 50% or less as of the last day of the year when the deduction is benefited from, 50 points will be added to 50% rate where the above-mentioned ratio is above 50%.
- If the capital increased in cash is used in production and industry plants with investment incentive certificates and investments of machines and equipments pertaining to these plants and/or investments of lands and plots allocated to construction of these plants, the deduction in question will be applied by adding 25 points to the 50% rate stated above, as limited to the fixed investment amount in the investment incentive certificate.

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25. EARNINGS PER SHARE

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

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Number of shares | 135.084.442 | 135.084.442 |
| Profit attributable to equity holders of the parent - TL | 246.019.452 | 245.279.781 |
| Dividend per share with nominal value of 1 Kr - TL | 1,8212 | 1,8158 |

Dividends distributed per share:

The dividend per share distributed in 2016 from 2015 profit is stated below:

| | |
|---|-------------|
| Dividend amount distributed | 201.275.818 |
| Number of shares with nominal value of 1 Kr | 135.084.442 |
| Dividend per share (Kr) | 1,4900 |

The dividend per share distributed in 2015 from 2014 profit is stated below:

| | |
|---|-------------|
| Dividend amount distributed | 174.529.099 |
| Number of shares with nominal value of 1 Kr | 135.084.442 |
| Dividend per share (Kr) | 1,2920 |

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

26. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity's financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 December 2016 and 31 December 2015 and the related party transactions for the years ended 31 December 2016 and 31 December 2015 are mainly as follows:

Trade receivables from related parties (short term)

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾ | 8.726 | 3.075 |
| Enerjisa Enerji Üretim A.Ş. ⁽²⁾ | 2.030 | - |
| | <u>10.756</u> | <u>3.075</u> |

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26. RELATED PARTY DISCLOSURES (continued)

Trade payables to related parties (short term)

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Enerjisa Enerji A.Ş. ^{(3) (*)} | 27.652.869 | 29.696.666 |
| Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾ | 36.313 | - |
| | <u>27.689.182</u> | <u>29.696.666</u> |

^(*) 4.961.275 TL Enerjisa Elk. Enrj. Toptan Sales, TL 12.691.594 is commercial debt to Enerjisa Elektrik Retail Sales Co. (31 December 2015: TL 29.394.063 Enerjisa Elk Enrj. Toptan Sales Inc., TL 299.787 Enerjisa Electric Retail Sales Inc. and TL 2.815 Enerjisa Enerji Üretim A.Ş.)

Other payables to related parties (short term)

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|---------------------|
| Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. ⁽²⁾ | 1.193.591 | 1.728.656 |
| Aksigorta A.Ş. ⁽³⁾ | 23.028 | 137.200 |
| Avivasa Emeklilik ve Hayat A.Ş. ⁽³⁾ | 769 | - |
| Teknosa | 154.199 | 35.211 |
| | <u>1.371.587</u> | <u>1.901.067</u> |

Bank balances deposited in related parties

| | 31 December 2016 | 31 December 2015 |
|------------------------------|---------------------|---------------------|
| Akbank T.A.Ş. ⁽²⁾ | 22.224.795 | 221.357.996 |
| | <u>22.224.795</u> | <u>221.357.996</u> |

Borrowings from related parties

| | 31 December 2016 | 31 December 2015 |
|------------------------------|---------------------|---------------------|
| Akbank T.A.Ş. ⁽²⁾ | 135.108.940 | 21.736.985 |
| | <u>135.108.940</u> | <u>21.736.985</u> |

Sales to related parties

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|---|--------------------------------|--------------------------------|
| Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾ | 13.117 | 2.004.695 |
| Enerjisa Enerji A.Ş. ^{(3) (**)} | 14.960 | 75.452 |
| Teknosa | 1.986 | - |
| | <u>30.063</u> | <u>2.080.147</u> |

^(**) TL 3.843 and TL 11.117 are sales made to Enerjisa Enerji Üretim A.Ş. and Enerjisa Elektrik Dağıtım A.Ş. respectively (December 31, 2015: TL 66.007 and TL 9.445 are sales made to Enerjisa Enerji Üretim A.Ş. and Enerjisa Elektrik Dağıtım A.Ş. respectively).

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26. RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|--|--------------------------------|--------------------------------|
| Enerjisa Enerji A.Ş. ^{(3) (1)} | 117.296.636 | 71.430.007 |
| Bimsa Uluslararası İş Bilgi ve Yön. Sis. A.Ş. ⁽²⁾ | 4.271.661 | 4.521.343 |
| Aksigorta A.Ş. ⁽³⁾ | 4.712.404 | 4.412.587 |
| Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾ | 1.644.736 | 1.717.262 |
| Avivasa Emeklilik ve Hayat A.Ş. ⁽³⁾ | 260.790 | 229.041 |
| Hacı Ömer Sabancı Holding. A.Ş. ⁽¹⁾ | 142.565 | 209.773 |
| Teknosa | 313.037 | - |
| | 128.641.829 | 82.520.013 |

⁽¹⁾ TL 96.307.919 and TL 20.988.717 are purchases from Enerjisa Elk. Enrj. Toptan Satış A.Ş. and Enerjisa Elektrik Perakende Satış A.Ş. respectively (December 31, 2015: TL 30.064.382 and TL 28.064.645 are purchases from Enerjisa Elk. Enrj. Toptan Satış A.Ş. and Enerjisa Elektrik Perakende Satış A.Ş. respectively).

The Group is purchasing finished products from Akçansa Çimento Sanayi ve Ticaret A.Ş. and electric energy from Enerjisa Enerji A.Ş. and services from other associated companies.

Interest income from related parties

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|----------------------------------|--------------------------------|--------------------------------|
| Akbank T.A.Ş. ^{(2) (*)} | 12.955.789 | 11.443.627 |
| | 12.955.789 | 11.443.627 |

^(*) An interest income of TL 12.955.789 from Akbank in 2016. TL 11.582.017 of total income has been recognized under profit or loss statement while remaining TL 1.373.762 has been deducted from borrowing costs sourcing from investment loans.

Interest expense from related parties

| | 1 January- 31 December 2016 | 1 January- 31 December 2015 |
|----------------------------------|--------------------------------|--------------------------------|
| Akbank T.A.Ş. ^{(2) (*)} | (2.280.477) | (3.849.813) |
| | (2.280.477) | (3.849.813) |

⁽¹⁾ Parent company

⁽²⁾ Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

⁽³⁾ Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

Compensation benefits to the top management

Total amount of compensation benefits paid to the Chairman and the members of the Board of Directors, general manager, general coordinator and deputy general managers, is 7.283.063 (31 December 2015 - TL 8.064.187). The salaries paid are TL 6.849.490 (31 December 2015 - TL 7.671.323) and contributions paid to Social Security Institution are TL 433.573 (31 December 2015 - TL 392.864). There exist no senior executive quitting the job due to retirement or any other reasons as of December 31, 2016 and 2015.

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27. FOREIGN CURRENCY RISK

As of 31 December 2016 and 31 December 2015, the Group's foreign currency position in terms of the original currency is as follows:

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|-------------------------------|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|-------------------------------|
| | TL Equivalent (Functional Currency) | USD (Original Currency) | EUR (Original Currency) | GBP (Original Currency) | TL Equivalent (Functional Currency) | USD (Original Currency) | EUR (Original Currency) | GBP (Original Currency) |
| Trade receivables | 150.673.189 | 21.079.291 | 20.618.062 | - | 133.802.631 | 23.137.403 | 20.936.656 | - |
| Monetary financial assets (*) | 6.022.527 | 452.155 | 1.184.998 | 8.123 | 3.667.216 | 993.012 | 230.945 | 10.716 |
| Current Assets | 156.695.716 | 21.531.446 | 21.803.060 | 8.123 | 137.469.847 | 24.130.415 | 21.167.601 | 10.716 |
| TOTAL ASSET | 156.695.716 | 21.531.446 | 21.803.060 | 8.123 | 137.469.847 | 24.130.415 | 21.167.601 | 10.716 |
| Trade payables | 180.782.132 | 35.813.318 | 14.739.280 | 15.432 | 56.371.158 | 12.481.326 | 6.247.806 | 52.881 |
| Financial liabilities | 86.529.285 | 13.000.000 | 10.992.125 | - | 100.540.800 | 16.000.000 | 17.000.000 | - |
| Short Term Liabilities | 67.311.417 | 48.813.318 | 25.731.405 | 15.432 | 156.911.958 | 28.481.326 | 23.247.806 | 52.881 |
| TOTAL LIABILITIES | 267.311.417 | 48.813.318 | 25.731.405 | 15.432 | 156.911.958 | 28.481.326 | 23.247.806 | 52.881 |
| Off balance sheet derivative financial instruments net asset/ liability position | - | - | - | - | - | - | - | - |
| Off-balance Sheet derivative assets denominated in foreign currencies | - | - | - | - | - | - | - | - |
| NET FOREIGN CURRENCY ASSET LIABILITY POSITION (*) | 110.615.701 | (27.281.873) | (3.928.345) | (7.309) | (19.442.111) | (4.350.911) | (2.080.206) | (42.165) |
| Net foreign currency asset/liability position for monetary items | (110.615.701) | (27.281.873) | (3.928.345) | (7.309) | (19.442.111) | (4.350.911) | (2.080.206) | (42.165) |
| Hedged foreign currency assets | (68.816) | (19.554) | - | - | - | - | - | - |
| Export | 341.957.830 | 55.626.038 | 37.763.584 | 1.412.294 | 321.929.546 | 65.389.452 | 39.257.015 | 1.641.613 |
| Import | 174.014.119 | 24.604.800 | 23.565.300 | - | 123.844.567 | 35.707.200 | 6.301.080 | - |

(*) As the national currencies of the Group's foreign subsidiaries are not assessed as the foreign currency risk, they are not included in the foreign currency position.

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27. FOREIGN CURRENCY RISK (continued)

The Group is mainly exposed to currency risk denominated in USD, Euro and GBP.

The table below shows the Group's sensitivity to a 10% increase in USD, Euro and GBP exchange rates. The 10% rate is the rate used in the reporting of the currency risk within the Group to the top management and represents the probable change that the management expects in foreign exchange rates. The sensitivity analysis only covers the monetary items denominated in foreign currency and presents the impact of the 10% change in foreign exchange rates of these monetary items at year-end. This analysis covers, as well as external loans, the loans denominated in a currency other than the functional currency of the parties taking the loan. Positive value represents the increase in other equity items in profit/loss.

| | Profit/Loss | | Equity | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Foreign currency appreciation | Foreign currency depreciation | Foreign currency appreciation | Foreign currency depreciation |
| 31 December 2016 | | | | |
| 1- USD net assets/liabilities | (9.601.037) | 9.601.037 | (9.601.037) | 9.601.037 |
| 2- Hedged portion of USD risk (-) | - | - | - | - |
| 4- USD net effect (1+2+3) | (9.601.037) | 9.601.037 | (9.601.037) | 9.601.037 |
| 5- Net EUR assets/liabilities | (1.457.377) | 1.457.377 | (1.457.377) | 1.457.377 |
| 6- Hedged portion of EUR risk (-) | - | - | - | - |
| 8- EUR net effect (5+6+7) | (1.457.377) | 1.457.377 | (1.457.377) | 1.457.377 |
| 9- Net GBP assets/liabilities | (3.157) | 3.157 | (3.157) | 3.157 |
| 10- Hedged portion of GBP risk (-) | - | - | - | - |
| 12- GBP net effect (9+10+11) | (3.157) | 3.157 | (3.157) | 3.157 |
| TOTAL (4+8+12) | (11.061.571) | 11.061.571 | (11.061.571) | 11.061.571 |
| | | | | |
| | | | | |
| 31 December 2015 | | | | |
| 1- USD net assets/liabilities | (1.265.071) | 1.265.071 | (1.265.071) | 1.265.071 |
| 2- Hedged portion of USD risk (-) | - | - | - | - |
| 4- USD net effect (1+2+3) | (1.265.071) | 1.265.071 | (1.265.071) | 1.265.071 |
| 5- Net EUR assets/liabilities | (661.006) | 661.006 | (661.006) | 661.006 |
| 6- Hedged portion of EUR risk (-) | - | - | - | - |
| 8- EUR net effect (5+6+7) | (661.006) | 661.006 | (661.006) | 661.006 |
| 9- Net GBP assets/liabilities | (18.134) | 18.134 | (18.134) | 18.134 |
| 10- Hedged portion of GBP risk (-) | - | - | - | - |
| 12- GBP net effect (9+10+11) | (18.134) | 18.134 | (18.134) | 18.134 |
| TOTAL (4+8+12) | (1.944.211) | 1.944.211 | (1.944.211) | 1.944.211 |

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28. REPORTING IN HYPERINFLATION ECONOMY

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with Turkish Accounting Standards (TAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 31 December 2016 and 31 December 2015 have been restated by applying the relevant conversion factors through 31 December 2004 and carrying additions after 31 December 2004 at their nominal values.

29. DERIVATIVE FINANCIAL INSTRUMENTS

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| Derivative financial instruments at fair value designated through income/expense | - | - |
| Total | - | - |
| Derivative financial instruments at fair value designated through other comprehensive income/expense ⁽¹⁾ | 68.816 | - |
| Total | 68.816 | - |
| Total financial instruments | <u>68.816</u> | <u>-</u> |

30. AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Available for sale financial assets at fair value designated through other comprehensive income/loss:

| Company | 31 December 2016 | | 31 December 2015 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Percentage of ownership (%) | Amount | Percentage of ownership (%) | Amount |
| Mesbaş Mersin Serbest Böl. İşl. A.Ş. ("Mesbaş") | 0,41 | 52.712 | 0,41 | 52.712 |
| Anfas Antalya Fuarçılık A.Ş. ("Anfas") | 0,02 | 4.266 | 0,02 | 4.266 |
| | | <u>56.978</u> | | <u>56.978</u> |

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Capital management

The Group manages its capital by maintaining permanence of its operations and on the other hand by reviewing terms of the trade receivables, trade payables and financial liabilities and cash from operations by using the debt and equity ratio in the most efficient way. The Group's top management evaluates the cost of capital and the risks which are associated with every equity account, and presents to Board of Directors those which depend on their decision. The Group's objective is to maintain the stability of capital structure by taking new debts or repayment of debts and also via dividend payments, depending on the decisions of Board of Directors.

The Group follows the debt to equity ratio in the capital management in parallel with other companies in the sector. Net debt is calculated by dividing net debt to total equity. Net debt/equity ratios at 31 December 2016 and 31 December 2015 are as follows:

| | Note | 31 December 2016 | 31 December 2015 |
|---------------------------------|------|----------------------|----------------------|
| Total financial borrowings | 7 | 787.017.435 | 377.657.527 |
| Less: Cash and cash equivalents | 5 | 32.828.414 | 224.071.872 |
| Net debt | | 754.189.021 | 153.585.655 |
| Equity | | 1.358.986.598 | 1.291.102.112 |
| Total liabilities | | <u>2.113.175.619</u> | <u>1.444.687.767</u> |
| Net debt/Equity ratio | | 55% | 12% |

b. Financial risk factors

The Group's principal financial instruments are cash, short-term time deposits and bank borrowings. The main purpose of use of these financial instruments is to raise finance for the Group's operations and to hedge interest rate risk. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. As explained below, the Board of Directors is responsible from the procedures necessary to follow and manage these risks.

c. Credit risk management

The majority of the trade receivables are guaranteed by the bank letters and/or credit limits. The credit reviews are performed continuously over the accounts receivable balances of the customers. The Group does not have a significant credit risk arising from any customer.

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Credit risk management (continued)

The credit risk of the Group for each financial instrument type is as follows:

| 31 December 2016 | Receivables | | | | Bank Deposits | | Derivative Financial Instruments |
|---|-------------------|----------------|-------------------|----------------|------------------|----------------|--|
| | Trade Receivables | | Other Receivables | | Related Party | Third Party | |
| | Related Party | Third Party | Related Party | Third Party | Related Party | Third Party | |
| Maximum credit exposures as of report date ⁽¹⁾ (A+B+C+D+E) | 10.756 | 320.187.075 | - | 3.816.527 | 22.224.795 | 4.339.302 | - |
| - Secured Part of maximum credit risk exposure via collateral etc. | - | 283.870.450 | - | - | - | - | - |
| A. Net book value of the financial assets that are neither overdue nor impaired ⁽²⁾ | 10.756 | 302.792.422 | - | 3.816.527 | 18.441.727 | 1.234.067 | - |
| B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired ⁽³⁾ | - | - | - | - | - | - | - |
| C. Net book value of financial assets that are overdue but not impaired | - | 17.394.653 | - | - | - | - | - |
| - Secured part via collateral etc. | - | 1.698.723 | - | - | - | - | - |
| D. Net book value of impaired financial assets | - | - | - | - | - | - | - |
| - Overdue (gross carrying amount) | - | 11.747.372 | - | 755.424 | - | - | - |
| - Impairment (-) | - | (11.747.372) | - | (755.424) | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |
| - Not Overdue (gross carrying amount) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |
| E. Off-Balance sheet financial assets exposed to credit risk | - | - | - | - | - | - | - |

⁽¹⁾ When determining the amount, the guarantees received and factors increasing the credibility are not considered.⁽²⁾ The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.⁽³⁾ The Group did not have any collection problems with these customers in the past.

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Credit risk management (continued)

| 31 December 2015 | Receivables | | | | Bank Deposits | | Derivative Financial Instruments |
|---|-------------------|----------------|-------------------|----------------|------------------|----------------|--|
| | Trade Receivables | | Other Receivables | | Related Party | Third Party | |
| | Related Party | Third Party | Related Party | Third Party | | | |
| Maximum credit exposures as of report date ⁽¹⁾ (A+B+C+D+E) | 3.075 | 327.410.061 | - | 4.158.840 | 217.574.928 | 2.794.780 | - |
| - Secured Part of maximum credit risk exposure via collateral etc. | - | (289.126.829) | - | - | - | - | - |
| A. Net book value of the financial assets that are neither overdue nor impaired ⁽²⁾ | 3.075 | (311.827.045) | - | 4.158.840 | 217.574.928 | 2.794.780 | - |
| B. Carrying amount of financial assets that are renegotiated , otherwise classified as overdue or impaired ⁽³⁾ | - | - | - | - | - | - | - |
| C. Net book value of financial assets that are overdue but not impaired | - | 15.583.016 | - | - | - | - | - |
| - Secured part via collateral etc. | - | (9.959.212) | - | - | - | - | - |
| D. Net book value of impaired financial assets | - | - | - | - | - | - | - |
| - Overdue (gross carrying amount) | - | 8.385.960 | - | 753.646 | - | - | - |
| - Impairment (-) | - | (8.385.960) | - | (753.646) | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |
| - Not Overdue (gross carrying amount) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |
| E. Off-Balance sheet financial assets exposed to credit risk | - | - | - | - | - | - | - |

⁽¹⁾ When determining the amount, the guarantees received and factors increasing the credibility are not considered.

⁽²⁾ The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.

⁽³⁾ The Group did not have any collection problems with these customers in the past.

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Credit risk management (continued)

The aging of the assets that are overdue but not subject to any impairment as of 31 December 2016 is as follows:

| 31 December 2016 | Receivables | | Bank Deposits | Derivative Financial Instruments | Other | Total |
|----------------------------------|----------------------|----------------------|------------------|--|-------|------------|
| | Trade Receivables | Other Receivables | | | | |
| Overdue 1-30 days | 4.829.272 | - | - | - | - | 4.829.272 |
| Overdue 1-3 months | 6.136.003 | - | - | - | - | 6.136.003 |
| Overdue 3-12 months | 6.429.379 | - | - | - | - | 6.429.379 |
| Total overdue receivables | 17.394.653 | - | - | - | - | 17.394.653 |
| Secured part via collateral etc. | 1.698.723 | - | - | - | - | 1.698.723 |

The aging of the assets that are overdue but not subject to any impairment as of 31 December 2015 is as follows:

| 31 December 2015 | Receivables | | Bank Deposits | Derivative Financial Instruments | Other | Total |
|----------------------------------|----------------------|----------------------|------------------|--|-------|------------|
| | Trade Receivables | Other Receivables | | | | |
| Overdue 1-30 days | 12.299.620 | - | - | - | - | 12.299.620 |
| Overdue 1-3 months | 1.928.609 | - | - | - | - | 1.928.609 |
| Overdue 3-12 months | 1.354.787 | - | - | - | - | 1.354.787 |
| Total overdue receivables | 15.583.016 | - | - | - | - | 15.583.016 |
| Secured part via collateral etc. | 9.959.212 | - | - | - | - | 9.959.212 |

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Foreign currency risk management

When necessary, the Group enters into derivative transactions to manage its exchange rate exposures. In this context, the Group's main preference is foreign currency forward transactions. The Group manages foreign currency purchase/sale forward contracts with maturities less than one year. The details of unrealized foreign currency purchase/sale forward contracts as of the date of the report are disclosed in Note 14 and Note 29.

(e) Interest rate risk management

The Group is exposed to the interest rate risk through the impact of interest rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities. As of 31 December 2016, all liabilities of the Group sensitive to interest rate risk are denominated in Euro.

| | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Financial Instruments with Variable Interest Rates | | |
| Financial Liabilities (Note 7) | - | 5.723.901 |

The amounts are calculated using the anticipated interest rate changes for the liabilities with variable interests as of the date of the report of the sensitivity analysis. If the Euro interest rates had been 50 basis points higher/lower ceteris paribus, the profit before tax and non-controlling interests would have been TL 168.721 (31 December 2015: TL 28.539) lower/higher.

(f) Liquidity risk

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

The current and prospective risk of funding the debts is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of derivative and non-derivative financial assets and liabilities according to their maturities is disclosed considering the period elapsed from balance sheet date to due date.

| 31 December 2016 | | | | | | |
|--|----------------------|--|------------------------|--------------------|--------------------|------------------------|
| Contractual Maturities | Net Book Value | Contractual Total Cash Outflow (I+II+III+IV) | Less Than 3 Months (I) | 3-12 Months (II) | 1-5 Years (III) | More Than 5 Years (IV) |
| Bank Borrowings | 787.017.435 | 851.798.584 | 426.050.196 | 153.853.923 | 250.180.195 | 21.714.270 |
| Trade Payables | 275.714.203 | 277.021.099 | 277.021.099 | - | - | - |
| Other Payables, Liabilities and Deferred Income ⁽¹⁾ | 18.074.376 | 18.074.376 | 18.074.376 | - | - | - |
| Total Liabilities | 1.080.806.014 | 1.146.894.059 | 721.145.671 | 153.853.923 | 250.180.195 | 21.714.270 |

⁽¹⁾ Only financial liabilities in the other payables, liabilities and deferred income have been included.

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31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (continued)

31 December 2015

| Contractual Maturities | Net Book Value | Contractual Total Cash Outflow (I+II+III+IV) | Less Than 3 Months (I) | 3-12 Months (II) | 1-5 Years (III) | More Than 5 Years (IV) |
|--|--------------------|--|------------------------|--------------------|--------------------|------------------------|
| Bank Borrowings | 377.657.527 | 443.651.131 | 37.089.233 | 127.404.000 | 240.250.563 | 38.907.335 |
| Trade Payables | 206.253.599 | 206.913.550 | 206.913.550 | - | - | - |
| Other Payables, Liabilities and Deferred Income ⁽¹⁾ | 12.824.062 | 12.824.062 | 12.824.062 | - | - | - |
| Total Liabilities | 596.735.188 | 663.388.743 | 256.826.845 | 127.404.000 | 240.250.563 | 38.907.335 |
| Derivative Financial Liabilities | | | | | | |
| <i>Unrealized Foreign Currency Purchase/Sale Forward Contracts</i> | | | | | | |
| | (336.458) | - | - | - | - | - |
| Derivative Cash Inflows | - | 16.888.530 | 4.233.214 | 12.655.316 | - | - |
| Derivative Cash Outflows | - | (17.809.152) | (4.452.288) | (13.356.864) | - | - |
| | (336.458) | (920.622) | (219.074) | (701.548) | - | - |

⁽¹⁾ Only financial liabilities in the other payables, liabilities and deferred income have been included.

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32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

The classification and fair value of the financial instruments

| | Cash and Cash Equivalents | Loans and Receivables | Available for Sale Financial Assets | Financial Liabilities at Financial Cost | Derivative Financial Instruments Accounted Under Equity | Derivative Financial Instruments Through Income Statement | Carrying Value | Note |
|-------------------------------------|---------------------------------|--------------------------|--|--|--|--|-------------------|---------|
| 31 December 2016 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Cash and Cash Equivalents | 32.828.414 | - | - | - | - | - | 32.828.414 | 5 |
| Trade Receivables | - | 320.197.831 | - | - | - | - | 320.197.831 | 6 |
| Financial Investments | - | - | 56.978 | - | - | - | 56.978 | 30 |
| Other Financial Assets | - | 25.987.391 | - | - | - | - | 25.987.391 | 8/10/17 |
| Derivative Financial Assets | - | - | - | - | - | - | - | 30 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Financial Liabilities | - | - | - | 787.017.435 | - | - | 787.017.435 | 7 |
| Trade Payable | - | - | - | 275.714.203 | - | - | 275.714.203 | 6 |
| Other Financial Liabilities | - | - | - | 18.074.376 | - | - | 18.074.376 | 8/10/17 |
| Derivative Financial Liabilities | - | - | - | - | - | 68.816 | 68.816 | 29 |
| 31 December 2015 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Cash and Cash Equivalents | 224.071.872 | - | - | - | - | - | 224.071.872 | 5 |
| Trade Receivables | - | 327.413.136 | - | - | - | - | 327.413.136 | 6 |
| Financial Investments | - | - | 56.978 | - | - | - | 56.978 | 30 |
| Other Financial Assets | - | 7.886.317 | - | - | - | - | 7.886.317 | 8/10/17 |
| Derivative Financial Assets | - | - | - | - | - | - | - | 29 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Financial Liabilities | - | - | - | 377.657.527 | - | - | 377.657.527 | 7 |
| Trade Payable | - | - | - | 206.253.599 | - | - | 206.253.599 | 6 |
| Other Financial Liabilities | - | - | - | 12.824.062 | - | - | 12.824.062 | 8/10/17 |
| Derivative Financial Liabilities | - | - | - | - | - | - | - | 29 |

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (Continued)

The classification and fair value of the financial instruments (continued)

The Company estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. However, market data, and judgment is required to estimate the fair values. As a result, the estimates presented here, may not be an indicative of the amounts by which the Company could obtain in a current market transaction.

Financial assets- The fair values of certain financial assets carried at cost, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for doubtful receivables is estimated to be their fair values.

Financial liabilities- Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of long-term bank borrowings with variable interest rates are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of long-term bank borrowings with fixed interest rates considered to approximate their respective carrying values due to the fact that fixed rate is the rate applicable as of balance sheet date. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

Fair value hierarchy table

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows;

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

(CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.10))

32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (Continued)

As of 31 December 2016 and 31 December 2015, the fair value hierarchy table of the Company's assets and liabilities at fair value are as follows:

| Financial Assets and Liabilities at Fair Value | 31 December 2016 | The Level of Fair Value at The Reporting Date | | |
|---|------------------|---|----------|---------------|
| | | Level 1 | Level 2 | Level 3 |
| Financial Assets and Liabilities at Fair Value Through Income/Loss | | | | |
| Derivative Financial Liabilities | - | - | - | - |
| Financial Assets and Liabilities at Fair Value Through Other Comprehensive Income/Loss | | | | |
| Available for Sale Financial Assets | 56.978 | - | - | 56.978 |
| Derivative Financial Assets | - | - | - | - |
| Derivative Financial Liabilities | - | - | - | - |
| Total | 56.978 | - | - | 56.978 |

There exist no financial assets and liabilities tracked through fair value as of December 31, 2015.

33. SUBSEQUENT EVENTS

None

PROFIT DISTRIBUTION SUGGESTION AND RESULT

According to our financial statements for the accounting period between January 01, 2016 and December 31, 2016, prepared in accordance with the “Communiqué on Principles of Financial Reporting in Capital Markets” (II- 14.1) of Capital Market Board and audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., our consolidated profit for the period was 306.227.063,00-TL.

We hereby recommend you to resolve that 246.019.452,00- TL Net Distributable Period Profit, which remained after the deduction of Legal Responsibilities and Non-Controlling Interests in line with Article 26 of our Articles of Association and the Communiqués of Capital Market Board from 306.227.063,00.- TL consolidated profit for the period of 2016 , be distributed as follows,

| | |
|------------------------|---|
| First Dividend | 6.754.222,10 TL |
| Second Dividend | 185.065.685,54 TL |
| Total Gross Dividend | 191.819.907,64 TL |
| General Legal Reserves | (2 nd Distribution) 18.506.568,55 TL |
| Extraordinary Reserves | 35.692.975,81 TL |

On the basis of distribution of profit according to above principles, it was decided to distribute dividend from TL 210.675.947,29 Consolidated Net Profit incurred between 01.01.2016 - 31.12.2016 after deduction of TL 66.155,10 as Extraordinary Reserve and deduction of the portion of earnings from real estate sold for the year 2016 amounting to TL 283.316,00 in order to benefit from 75% tax exemption stated in Article 5/1-e of the Corporate Tax Law.

Accordingly, from 2016 profit, a total dividend of 191.819.907,64- TL, with a ratio of 142% (Gross), and 120,70% (Net) be distributed in cash as of March 29, 2017 to the shareholders representing 135,084,442- TL capital, depending on the legal status of the said shareholders..

Respectfully,

On Behalf of the Board of Directors

Chairman
Mehmet HACIKAMİLOĞLU

PROFIT DISTRIBUTION TABLE (TRY)

| | | |
|--|-----------------------------|--------------------------|
| 1. Paid in Capital | | 135.084.442,00 |
| 2. General Legal Reserves (As per Statutory Records) | | 102.469.321,12 |
| If there is privileged dividend according to the article of association, information regarding this privilege. | | No |
| | As per Capital Market Board | As per Statutory Records |
| 3. Profit | 306.257.063,00 | 263.889.831,99 |
| 4. Taxes (-) | -57.196.683,00 | -53.213.884,70 |
| 5. Net Profit For the Period (=) | 246.019.452,00 | 210.675.947,29 |
| 6. Previous Years' Losses (-) | - | - |
| 7. General Legal Reserves (-) | - | - |
| 8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=) | 246.019.452,00 | 210.675.947,29 |
| 9. Donations during the year (+) | 1.006.262,69 | |
| 10. Net Distributable Profit Including Donations | 247.025.714,69 | |
| 11. First Category Dividend For Shareholders | 6.754.222,10 | |
| - Cash | 6.754.222,10 | |
| - Share | | |
| - Total | 6.754.222,10 | |
| 12. Dividends Distributed to the Privileged Shareholders | - | |
| 13. Other Dividends Distributed | | |
| - Members of the Board of Directors | | |
| - Employees | | |
| - Non Shareholders | | |
| 14. Dividends Distributed to the Holders of Usufruct Right Certificates | - | |
| 15. Second Category Dividend For Shareholders | 185.065.685,54 | |
| 16. General Legal Reserves | 18.506.568,55 | |
| 17. Status Reserves | - | |
| 18. Special Reserves | - | 283.316,00 |
| 19. EXTRAORDINARY RESERVES | 35.692.975,81 | 66.155,10 |
| 20. Other Resource Planned for Distribution | - | - |
| - Previous Years' Profit | | |
| - Extraordinary Reserve | | |
| - Other distributable reserves as per the legislation and Articles of Association | | |

DIVIDEND RATES TABLE

| | TOTAL DIVIDEND AMOUNT | | TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD | DIVIDEND FOR A SHARE WITH A NOMINAL VALUE OF 1 TL | |
|--------------------|-----------------------|-------------|---|---|-----------|
| | Cash (TL) | Shares (TL) | Ratio (%) | Amount (TL) | Ratio (%) |
| GROSS | 191.819.907,64 | | 77,97 | 1,4200 | 142,00 |
| NET ^(*) | 163.046.921,49 | | 66,27 | 1,2070 | 120,70 |

*Net tutar hesaplanırken %15 oranında vergi kesintisi yapılacağı varsayılmıştır.

ÇİMSA 2015-2016 PERFORMANCE DATA

ECONOMIC PERFORMANCE INDICATORS

| | 2015 | 2016 |
|--|-----------|-----------|
| Grey Cement Production (tonne) | 4,892,570 | 4,550,594 |
| White Cement Production (tonne) | 1,007,786 | 1,026,580 |
| Calcium Aluminate Cement Production (tonne) | 29,751 | 27,490 |
| Aggregate Production (tonne) | 0 | 0 |
| Clinker Production (tonne) | 5,394,206 | 5,538,570 |
| Ready-Mixed Concrete Production (m³) | 2,410,243 | 2,823,480 |
| Grey Cement Sales (million tonne) | 4,893,733 | 4,534,562 |
| <i>Bagged</i> | 1,038,707 | 890,916 |
| <i>Bulk</i> | 3,855,026 | 3,643,646 |
| White Cement Sales (million tonne) | 1,030,806 | 1,059,720 |
| <i>Bagged</i> | 601,731 | 584,046 |
| <i>Bulk</i> | 429,075 | 475,674 |
| Clinker Sales (million tonne) | 709,872 | 411,124 |
| Ready-Mixed Concrete Sales (million m³) | 2,410,243 | 2,823,480 |
| Economic Value Generated (million TL) | 1,171,14 | 1,170,41 |
| <i>Net Sales</i> | 1,171,14 | 1,170,41 |
| Economic Value Distributed (million TL) | 1,065,56 | 1,141,20 |
| <i>Operating Costs</i> | 717 | 726 |
| <i>Tax Paid to the State</i> | 58 | 55 |
| <i>Dividend for Shareholders</i> | 174 | 201 |
| <i>Payments to Financial Institutions</i> | 22 | 60 |
| <i>Wages for Employees</i> | 94 | 98 |
| <i>Social Investments</i> | 0,5 | 1,2 |
| Economic Value Retained (million TL) | 106 | 29 |
| Financial Incentives Received From the Government (million TL) | 0 | 0 |
| Employer Contribution to the Pension Fund (million TL) | 0,57 | 0,66 |
| Number of Employees Participating to the Pension Plan | 294,00 | 315 |
| R&D Expenditure (TL) | 415,344 | 890,915 |

ENVIRONMENTAL PERFORMANCE INDICATORS

| | 2015 | 2016 |
|---|-----------|-----------|
| Grey Cement Raw Material Amount (tonne) | | |
| <i>Natural Raw Material Amount</i> | 5,322,942 | 5,363,058 |
| <i>Clinker Produced</i> | 3,886,412 | 3,962,894 |
| <i>Alternative Raw Material</i> | 220,794 | 123,746 |
| <i>Natural Additive (Additive in to cement)</i> | 544,257 | 551,430 |
| <i>Alternative Additive (Additive in to cement)</i> | 159,640 | 63,786 |
| White Cement (tonne) | | |
| <i>Natural Raw Material Amount</i> | 976,219 | 991,302 |
| <i>Clinker Produced</i> | 1,148,249 | 1,222,415 |
| <i>Alternative Raw Material</i> | 109,754 | 115,886 |
| <i>Natural Additive (Additive in to cement)</i> | 98,939 | 105,599 |
| <i>Alternative Additive (Additive in to cement)</i> | 442 | 478 |
| Amount of Calcium Aluminate Cement (tonne) | | |
| <i>Natural Raw Material</i> | 51,580 | 44,500 |
| <i>Clinker/Cement Produced</i> | 1 | 1 |
| Ready-Mixed Concrete (tonne) | | |
| <i>Fly Ash</i> | 58,161 | 38,870 |
| <i>Slag</i> | 88,826 | 108,910 |
| Raw Materials Extracted From Mines (tonne) | 5,322,942 | 6,605,061 |
| Conventional Fuel (tonne) | 376,574 | |
| Alternative Fuel (tonne) | 52,211 | |
| Rate of Alternative Raw Material Usage (%) | | |
| <i>Grey Cement</i> | 3.24 | 3.10 |
| <i>White Cement</i> | 6.99 | 9.60 |
| Grey Cement Alternative Fuel Usage Rate (%) | 7.79 | 8.67 |
| Clinker/Cement Rate (%) | 84.20 | 85.14 |
| Conventional Energy Consumption (TJ) | 12,361 | 12,741 |
| Alternative Energy Consumption (TJ) | 864 | 983 |
| Electricity Consumption (TJ) | 2,332 | 2,302 |
| Energy Recovery From Waste Heat – (mwh/yr) | 48,065 | 51,911 |
| Energy Recovery From Waste Heat – (TJ) | 173,035 | 186,880 |
| Greenhouse Gas Emission Reduction from waste heat | 22,680 | 24,502 |
| Scope 1 Gross GHG Emissions (gri+beyaz) (million tonne CO₂) | 4.50 | 4.50 |
| Scope 2 Gross GHG Emissions (gri+beyaz) (tonne CO₂) | 283,192 | 277,338 |
| Scope 3 Gross GHG Emissions (gri+beyaz) (tonne CO₂) | 79,214 | 80,737 |
| Grey Cement Specific CO₂ Emissions (scope 1) (kg CO₂/tonne cement) | 731 | 729 |
| Grey Cement Specific CO₂ Emissions (scope 2) (kg CO₂/tonne cement) | 46 | 45 |

ÇİMSA 2015-2016 PERFORMANCE DATA

| ENVIRONMENTAL PERFORMANCE INDICATORS | | |
|---|-------------|-------------|
| | 2015 | 2016 |
| Air Emissions | | |
| Total Dust Emissions (tonne) | 93.54 | 98.80 |
| Specific Dust Emissions (gr/tonne clinker) | 18.58 | 19.10 |
| Total NOx Emissions (tonne) | 7,515.57 | 8,456.0 |
| Specific NOx Emissions (gr/tonne clinker) | 1,492.75 | 1,630.80 |
| Total Pollutant Heavy Metal Emissions (tonne) | 0.002 | 0.02 |
| Specific Pollutant Heavy Metal Emissions (gr/tonne clinker) | 0.005 | 0.005 |
| Total Volatile Organic Compound (VOC) Emissions (tonne) | 150.56 | 152.90 |
| Specific Volatile Organic Compound (VOC) Emissions (gr/tonne clinker) | 34.22 | 29.50 |
| Total Dioxins and Furans Emissions (kg) | 0.15 | 0.02 |
| Specific Dioxins and Furans Emissions (ug /tonne clinker) | 0.03 | 0.004 |
| Total HCl (tonne) | 1,209 | 0.8 |
| Specific HCl (gr/tonne clinker) | 0.275 | 0.2 |
| Total HF (tonne) | 1.25 | 0.8 |
| Specific HF (gr/tonne clinker) | 0.3 | 0.2 |
| Total Hazardous Wastes by Disposal Method (tonne) | 0.571 | 141 |
| Recovery | 0.318 | 11 |
| Energy recovery | - | 122 |
| Disposal | 0.253 | 8 |
| Total Non-Hazardous Wastes by Disposal Method (tonne) | 1,652.80 | 2,118 |
| Recovery | 1,163 | 1,687 |
| Energy recovery | 284.40 | - |
| Disposal | 205.40 | 431 |
| Total water volume used and discharged | | |
| Well water | 2,124,967 | 1,708,647 |
| municipal water | 33,763 | 12,065 |
| Water discharges- total volumes | | 50,048 |
| Discharge point | 32,076 | 30,798 |
| Wastewater channel | 7,235 | 9,082 |
| recycled water | - | 27,463 |
| Active Mine Site Area (ha) | 318 | 526 |
| Mine Site Area With Approved Rehabilitation Plan (ha) | 166 | 166 |
| Mine Sites Where the Production Has Finished (ha) | 17 | 0 |
| Rehabilitated Site Area (ha) | 17 | 0 |
| Total Packaging Used (tonne) | 3,036 | 8,140 |
| Packaging Waste Recovery Rate (%) | 48 | 52 |
| Number of Environmental Compliance Sanctions Paid (number) | 0 | 1 |
| Amount of Environmental Compliance Sanction Paid (TL) | 0 | 49,095 |
| Total Environmental Investment and Management Expenditures (TL) | 12,432,989 | 10,501,699 |
| Total Environmental Trainings - Number of Attendance (person) | 154 | 433 |
| Total Environmental Trainings - Training Hours (person*hour) | 631 | 1,426 |

SOCIAL PERFORMANCE INDICATORS

| | 2015 | 2016 |
|---|--------|--------|
| Employee Trainings - Total Hours (person*hour) | | |
| <i>Blue Collars</i> | 42,985 | 32,344 |
| <i>White Collars</i> | 23,053 | 26,017 |
| <i>Female</i> | 3,284 | 4,064 |
| <i>Male</i> | 62,754 | 54,297 |
| OHS Trainings for Employees (person*hour) | 22,228 | 37,517 |
| Injury Rate in Cement Plants | | |
| <i>Çimsa Employees</i> | 0.75 | 1.14 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 0.77 | 1.19 |
| <i>Contractor Employees</i> | 0.22 | 0.85 |
| Injury Rate in Ready-Mixed Concrete Facilities | | |
| <i>Çimsa Employees</i> | 0.00 | 0.86 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 0.00 | 0.89 |
| <i>Contractor Employees</i> | 2.00 | 1.51 |
| Occupational Disease Rate in Cement Plants | | |
| <i>Çimsa Employees</i> | 0.00 | 0.00 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 0.00 | 0.00 |
| <i>Contractor Employees</i> | 0.00 | 0.00 |
| Occupational Disease Rate in Ready-Mixed Concrete Facilities | | |
| <i>Çimsa Employees</i> | 0.00 | 0.00 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 0.00 | 0.00 |
| <i>Contractor Employees</i> | 0.00 | 0.00 |
| Lost Day Rate in Cement Plants | | |
| <i>Çimsa Employees</i> | 38.20 | 14.86 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 39.60 | 15.49 |
| <i>Contractor Employees</i> | 1.90 | 20.65 |
| Lost Day Rate in Ready-Mixed Concrete Facilities | | |
| <i>Çimsa Employees</i> | 0.00 | 58.74 |
| <i>Female</i> | 0.00 | 0.00 |
| <i>Male</i> | 0.00 | 60.76 |
| <i>Contractor Employees</i> | 21.8 | 20.89 |
| Absentee Rate in Cement Plants | | |
| <i>Çimsa Employees</i> | 369.08 | 272.57 |
| <i>Female</i> | 219.85 | 299.50 |
| <i>Male</i> | 374.56 | 180.13 |
| <i>Contractor Employees</i> | 26.21 | 74.46 |

ÇİMSA 2015-2016 PERFORMANCE DATA

SOCIAL PERFORMANCE INDICATORS

| | 2015 | 2016 |
|---|------|--------|
| Absentee Rate in Ready-Mixed Concrete Facilities | | |
| Çimsa Employees | 9.17 | 203.42 |
| Female | 0.00 | 0.00 |
| Male | 9.49 | 210.44 |
| Contractor Employees | 0.00 | 0.00 |
| Fatalities in Cement Plants | | |
| Çimsa Employees | 0 | 0 |
| Female | 0 | 0 |
| Male | 0 | 0 |
| Contractor Employees | 0 | 0 |
| Fatalities in Ready-Mixed Concrete Facilities | | |
| Çimsa Employees | 0 | 0 |
| Female | 0 | 0 |
| Male | 0 | 0 |
| Contractor Employees | 0 | 0 |
| Human Rights Trainings (person*hour) | 990 | 564.5 |
| Customer Satisfaction Rate (%) | 83 | - |

EMPLOYEE DEMOGRAPHICS

| | 2015 | 2016 |
|--|-------|-------|
| Total Workforce (Number) | | |
| Direct Employees | 1,092 | 1,129 |
| Female | 55 | 58 |
| Male | 1,037 | 1,071 |
| Contractor Employees | 1,192 | 1,299 |
| Female | 50 | 60 |
| Male | 1,142 | 1,239 |
| Total Workforce by Contract Type (number) | | |
| Indefinite Term Contract | 1,082 | 1,105 |
| Female | 55 | 55 |
| Male | 1,027 | 1,050 |
| Temporary Contract | 10 | 24 |
| Female | 0 | 3 |
| Male | 10 | 21 |
| Total Workforce by Category (number) | | |
| Blue Collars | 624 | 644 |
| Female | 0 | 0 |
| Male | 624 | 644 |
| White Collars | 468 | 485 |
| Female | 55 | 58 |
| Male | 413 | 427 |

EMPLOYEE DEMOGRAPHICS

| | 2015 | 2016 |
|--|-------|-------|
| Total Workforce by Employment Type (Number) | | |
| <i>Full-time</i> | 1,092 | 1,129 |
| <i>Female</i> | 55 | 58 |
| <i>Male</i> | 1,037 | 1,071 |
| <i>Part-time</i> | 0 | 0 |
| <i>Female</i> | 0 | 0 |
| <i>Male</i> | 0 | 0 |
| Total Workforce by Education Level (number) | | |
| <i>No Education</i> | 0 | 0 |
| <i>Primary School</i> | 90 | 83 |
| <i>Secondary School</i> | 537 | 558 |
| <i>University and Above</i> | 465 | 488 |
| Total Workforce by Age Group (number) | | |
| <i>18-25</i> | 46 | 63 |
| <i>26-35</i> | 472 | 480 |
| <i>36-45</i> | 428 | 447 |
| <i>46 and more</i> | 146 | 139 |
| Senior Management Structure (number) | | |
| <i>by Gender</i> | 18 | 17 |
| <i>Female</i> | 3 | 3 |
| <i>Male</i> | 15 | 14 |
| <i>by Age Group</i> | | |
| <i>18-25</i> | 0 | 0 |
| <i>26-35</i> | 2 | 2 |
| <i>36-45</i> | 5 | 3 |
| <i>46 and more</i> | 11 | 12 |
| <i>by Nationality</i> | | |
| <i>TC Citizen</i> | 18 | 17 |
| <i>Expat</i> | 0 | 0 |
| Mid-level Management Structure (number) | | |
| <i>by Gender</i> | 156 | 160 |
| <i>Female</i> | 14 | 18 |
| <i>Male</i> | 142 | 142 |
| <i>by Age Group</i> | | |
| <i>18-25</i> | 0 | 0 |
| <i>26-35</i> | 64 | 63 |
| <i>36-45</i> | 66 | 73 |
| <i>46 and more</i> | 26 | 24 |

ÇİMSA 2015-2016 PERFORMANCE DATA

| EMPLOYEE DEMOGRAPHICS | | |
|---|-------------|-------------|
| | 2015 | 2016 |
| Employees Hired (number) | | |
| <i>by Gender</i> | 128 | 128 |
| <i>Female</i> | 17 | 10 |
| <i>Male</i> | 111 | 118 |
| <i>by Age Group</i> | | |
| <i>18-25</i> | 31 | 33 |
| <i>26-35</i> | 69 | 69 |
| <i>36-45</i> | 22 | 21 |
| <i>46 and more</i> | 6 | 5 |
| Employees Left (number) | | |
| <i>by Gender</i> | 88 | 93 |
| <i>Female</i> | 5 | 7 |
| <i>Male</i> | 83 | 86 |
| <i>by Age Group</i> | | |
| <i>18-25</i> | 2 | 8 |
| <i>26-35</i> | 40 | 42 |
| <i>36-45</i> | 18 | 19 |
| <i>46 and more</i> | 28 | 24 |
| Disabled Employees | | |
| <i>Female</i> | 0 | 0 |
| <i>Male</i> | 29 | 30 |
| Number of Employees Left for Prenatal Leave | 2 | 2 |
| Number of Employees Returned From Prenatal Leave | 2 | 2 |
| Number of Employees Who Didn't Leave Their Job After 12 Months to Their Return From Parental Leave | 2 | 2 |
| Workforce Covered by Collective Bargaining Agreement (number) | | |
| <i>Direct Employees</i> | 624 | 644 |
| <i>Contractor Employees</i> | 0 | 0 |

GRI G4 CONTENT INDEX – CORE



GENERAL STANDARD NOTIFICATIONS

| Description of General Standard Notifications | Explanation/Page | Excluded | |
|---|---|---|---|
| STRATEGY AND ANALYSIS | | | |
| G4-1 | Declaration of the organization (CEO, Chairman or equivalent high level position) high level decision authority about relation of sustainability with organization and strategy of organization on sustainability | <ul style="list-style-type: none"> • Message from the Chairman of the Board of Directors, Page: 4-6 • Message from the General Manager, Page: 8-11 | - |
| G4-2 | Description of key impacts, risks and opportunities | <ul style="list-style-type: none"> • Risks and Opportunities, Page: 29-31 | - |
| CORPORATE PROFILE | | | |
| G4-3 | Name of the organization | Çimsa Çimento Sanayi ve Ticaret A.Ş | |
| G4-4 | Primary brands, products and services | <ul style="list-style-type: none"> • Product Range, Page: 19, 27 | |
| G4-5 | Address of organization headquarters | Kısıklı Cad. No: 4 Sarkuysan -Ak İş Merkezi S Blok Altunizade/Istanbul -Turkey | - |
| G4-6 | Number of country where organization is active and name of countries where organization has significant activities or countries especially related to sustainability headings explained in the report | <ul style="list-style-type: none"> • Operation Map-Domestic Facilities, Page: 16-17 • Operation Map-Overseas Terminals, Page: 18 | - |
| G4-7 | Quality of property and legal structure | <ul style="list-style-type: none"> • Corporate Profile-Partnership Structure, Page: 14 | - |
| G4-8 | Markets serviced (geographical distribution, serviced industry including type of customers and supporters) | <ul style="list-style-type: none"> • Corporate Profile-Partnership Structure, Page: 14 | - |
| G4-9 | Organization scale <ul style="list-style-type: none"> • Total number of employees • Total number of transactions • Net sales (for private sector organizations) or net income (for public sector organizations) • Total business capital allocation in terms of debt and resource (for private sector organizations) • Amount of product or service provided | <ul style="list-style-type: none"> • Headlines of Our Sustainable Development, Page: 39 • Economic Performance, Page: 41-42 | - |
| G4-10 | Work agreement, total number of employee per region and sex | <ul style="list-style-type: none"> • Corporate Development and Human Resources, Page: 63 • Employee Demographics, Page: 194-196 | - |
| G4-11 | Percentage of total number of employee within the scope of collective agreement | 57% | - |
| G4-12 | Supply chain of organization | Çimsa continues to work on preliminary studies on sustainability practices in the supply chain, driven by developments in global sustainability trends and GRI principles. | - |
| G4-13 | All significant changes seen in reporting period related to the size, structure, property or supply chain of organization | http://www.cimsa.com.tr/yatirimci-iliskileri/ozel-durum-aciklamalari/ozel-durum-aciklamalari/i-76 | - |

GRI G4 CONTENT INDEX – CORE

| GENERAL STANDARD NOTIFICATIONS | | | |
|---|---|---|---|
| Description of General Standard Notifications | Explanation/Page | Excluded | |
| G4-14 | Whether organization has a precautionary approach or how does it handle precautionary principle | <ul style="list-style-type: none"> • Risk Management, Internal Audit, Page: 32, 33 • Work Ethics, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5 • Occupational Health and Safety, Page: 64-69 • Climate and Energy, Page: 70-73 | - |
| G4-15 | List of economic, environmental or social agreements, principles and other initiatives developed out of organization signed or supported by the organization | <ul style="list-style-type: none"> • Our Shareholders, Page:34-35 | - |
| G4-16 | List of associations and national or international support associations for which the organization is member and taking role (ex. industry associations) | <ul style="list-style-type: none"> • Our Shareholders, Page:34-35 | - |
| IDENTIFIED PRIORITY FACTORS AND FRAMES | | | |
| G4-17 | <p>a. List of all organizations included in the consolidated balance sheets or equivalent documents of organization</p> <p>b. Whether any of organization included in the consolidated balance sheets or equivalent documents has been excluded from report</p> | <ul style="list-style-type: none"> • Consolidated Financial Tables, Page: 123, 125-126 | - |
| G4-18 | <p>a. Process to describe report content and Factor Frames</p> <p>b. How does the organization implement Reporting Principles For Determining Report Content</p> | <ul style="list-style-type: none"> • About the Consolidated Annual Report, Page: 2 • Sustainability Priorities of Çimsa, Page 36-37 | - |
| G4-19 | List of all priority factors identified in determination process of report content | <ul style="list-style-type: none"> • Sustainability Priorities of Çimsa, Page 36-37 | - |
| G4-20 | Factor Frame within the organization for each priority factor | <ul style="list-style-type: none"> • Sustainability Priorities of Çimsa, Page 36-37 | - |
| G4-21 | Factor Frame out of organization for each priority factor | <ul style="list-style-type: none"> • Sustainability Priorities of Çimsa, Page 36-37 | - |
| G4-22 | Impact of every kind of declaration rearranged related to the information provided in previous reports and reasons of rearranging those declarations | <ul style="list-style-type: none"> • About the Consolidated Annual Report, Page: 2 <p>All prior fields mentioned in this report, are considered indispensable only for organization-wide provided that boundaries specified in liability declarations of the report are valid.</p> | - |
| G4-23 | Significant changed in the framework of Scope and Factor compared to the previous reporting periods | <ul style="list-style-type: none"> • About the Consolidated Annual Report, Page: 2 <p>All prior fields mentioned in this report, are considered indispensable only for organization-wide provided that boundaries specified in liability declarations of the report are valid.</p> | - |

GENERAL STANDARD NOTIFICATIONS

| Description of General Standard Notifications | Explanation/Page | Excluded |
|---|--|--|
| PARTICIPATION OF SHAREHOLDER | | |
| G4-24 | List of shareholder groups contacted by the organization | • Our Shareholders, Page: 34-35 - |
| G4-25 | Basic for determination and selection of shareholders to be contacted | • Our Shareholders, Page: 34-35 - |
| G4-26 | Organization shareholder contact and whether any of these contacts has been established as a part of report preparation process covering also contact frequency per type and shareholder group | • Our Shareholders, Page: 34-35 - |
| G4-27 | Key headings and concerns revealed via shareholder participation and how the organization handle these key headings and concerns including reporting; shareholder groups revealing each of key headings and concerns | • Customer Satisfaction and Product Responsibility, Page: 51-52 - |
| REPORT PROFILE | | |
| G4-28 | Reporting period for the information provided (such as financial year or calendar year) | 01 January 2016 - 31 December 2016 - |
| G4-29 | Date of last presented (the former one) report (if any) | 01 January 2015 - 31 December 2015 - |
| G4-30 | Reporting frequency | Annual - |
| G4-31 | Contact information for questions about report and its content | Corporate Affairs and Sustainability Department Burcu Türkay Corporate Affairs and Sustainability Manager T: +90 216 554 71 00 b.turkay@cimsa.com.tr surdurulebilirlik@cimsa.com.tr entegrerapor@cimsa.com.tr www.cimsadasurdurulebilirlik.com - |
| G4-32 | a. 'Conformity' option selected by organization b. GRI Content Index regarding preferred option c. If report has been externally audited, referred External Audit Report | a. Comprehensive b. GRI G4 Index, page 197 - c. Report has not been externally audited. - |
| G4-33 | a. Organization policy and current application for report about external audit seeking b. If sustainability report has not been included in enclosed audit report, scope and principle of every kind of external audit provided c. Relation between organization and guarantors d. Whether high level governance body or high level managers have attended external audit of organization sustainability report | No external audit has been serviced. - |

GRI G4 CONTENT INDEX – CORE

| GENERAL STANDARD NOTIFICATIONS | | | |
|---|---|--|----------|
| Description of General Standard Notifications | Explanation/Page | Excluded | |
| GOVERNANCE | | | |
| G4-34 | Organization governance structure including highest level of governance body committees | <ul style="list-style-type: none"> Board of Management, Top Management, Page: 86-90 Board of Management Activity Report, Page: 93-94, 99-101 | - |
| ETHICS AND HONESTY | | | |
| G4-56 | Values, principles, standards and behavior norms of organization such as code of conduct and ethics | Work Ethics, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5 | - |
| EXCLUSIVE STANDARD NOTIFICATIONS | | | |
| DMA and Indicators | Description | Page | Excluded |
| CATEGORY: ECONOMIC | | | |
| FACTOR: ECONOMICAL PERFORMANCE | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Message from the Chairman of the Board of Directors, Page: 4-6 Message from the General Manager, Page: 8-11 | - |
| G4-EC1 | Direct economic value produced or distributed | <ul style="list-style-type: none"> Economic Performance, Page: 40-43 Economic Performance Table, Page: 190 | - |
| G4-EC3 | Scope of comp plan liabilities of organization | <ul style="list-style-type: none"> Benefit of Employees, Page: 162-163 | - |
| G4-EC4 | Financial support provided by government | Çimsa has no incentive or financial support provided by government. | - |
| FACTOR: MARKET PRESENCE | | | |
| G4-EC6 | Local employment rate of top management in significant operation places | <ul style="list-style-type: none"> Employee Demographics, Page: 194 | - |
| FACTOR: INDIRECT ECONOMIC IMPACTS | | | |
| G4-DMA | General notifications about management approach | | - |
| G4-EC7 | Development and impact of substructure and supported services | <ul style="list-style-type: none"> Value that We Produce and Share, Page: 26-27 | - |
| G4-EC8 | Significant indirect economic impacts including size of impacts | <ul style="list-style-type: none"> Value that We Produce and Share, Page: 26-27 | - |
| FACTOR: PURCHASE APPLICATIONS | | | |
| G4-DMA | General notifications about management approach | | - |

EXCLUSIVE STANDARD NOTIFICATIONS

| Description of General Standard Notifications | Explanation/Page | Excluded | |
|---|---|---|---|
| G4-EC9 | Rate of expenditure to local suppliers in significant operation places | <ul style="list-style-type: none"> • Value that We Produce and Share, Page: 26-27 | - |
| CATEGORY: ENVIRONMENTAL | | | |
| FACTOR: MATERIALS | | | |
| G4-DMA | General notifications about management approach | Environment Management, Page: 74-78 | - |
| G4-EN2 | Percentage of recycled materials used as input | <ul style="list-style-type: none"> • Climate and Energy, Page: 71-73 • Environmental Performance Table, Page: 191-192 | - |
| FACTOR: ENERGY | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> • Climate and Energy, Page: 70-73 | - |
| G4-EN3 | Energy Consumption in organization | <ul style="list-style-type: none"> • Climate and Energy, Page: 70-73 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN6 | Reducing energy consumption | <ul style="list-style-type: none"> • Climate and Energy, Page: 70-73 • Environmental Performance Table, Page: 191-192 | - |
| FACTOR: WATER | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> • Environment Management, Page: 74-75 | - |
| G4-EN8 | Total draft in resource base | <ul style="list-style-type: none"> • Environment Management, Page: 74-75 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN10 | Percentage and total volume of recycled and reused water | <ul style="list-style-type: none"> • Environment Management, Page: 74-75 • Environmental Performance Table, Page: 191-192 | - |
| FACTOR: BIOLOGICAL DIVERSITY | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> • Environment Management, Page: 74-75 | - |
| G4-EN11 | Fields of activity possessed, rented, managed or neighbor to these areas in areas having high biological diversity including and excluding areas under protection | <ul style="list-style-type: none"> • Environment Management, Page: 76 | - |
| G4-EN13 | Habitats under protection or restored | <ul style="list-style-type: none"> • Environment Management, Page: 76 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN14 | Total number of IUCN red list species and nationally protected species having habitats in areas affected by activities according to extinction risk level | <ul style="list-style-type: none"> • Environment Management, Page: 76 • Environmental Performance Table, Page: 191-192 | - |

GRI G4 CONTENT INDEX – CORE

| EXCLUSIVE STANDARD NOTIFICATIONS | | | |
|---|---|---|---|
| Description of General Standard Notifications | Explanation/Page | Excluded | |
| FACTOR: EMISSIONS | | | |
| G4-DMA | General notifications about management approach | • Environment Management, Page: 74-75 | - |
| G4-EN15 | Direct greenhouse gas (GHG) emission (Scope 1) | • Climate and Energy, Page: 70-73 Environmental Performance Table, Page: 191-192 | - |
| G4-EN18 | Intensity of greenhouse gas (GHG) emission | • Climate and Energy, Page: 70-73 Environmental Performance Table, Page: 191-192 | - |
| G4-EN19 | Reducing greenhouse gas (GHG) emission | • Climate and Energy, Page: 70-73 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN21 | NOx, SOx and other significant air emission | • Climate and Energy, Page: 70-73 • Environmental Performance Table, Page: 191-192 | - |
| FACTOR: SEWAGE AND WASTE | | | |
| G4-DMA | General notifications about management approach | • • Environment Management, Page: 74-75 | - |
| G4-EN22 | Total water disposal in terms of quality and destination | • Environment Management, Page: 74-75 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN23 | Total weight of waste according to type and removal method | • Environment Management, Page: 74-75 • Environmental Performance Table, Page: 191-192 | - |
| G4-EN26 | ID's, size, protection status and biologic diversity value of water volumes and related habitats affected significantly by organization water disposal and flow | • Environment Management, Page: 74-75 • Environmental Performance Table, Page: 191-192 | - |
| FACTOR: PRODUCT AND SERVICES | | | |
| G4-EN27 | Size of relieving environmental impacts of product and services | • R&D and Innovation, Page: 48-51 | - |
| FACTOR: GENERAL | | | |
| G4-EN31 | Total environmental protection expenditure and investments according to their type | • Environment Management, Page: 74 • Environmental Performance Table, Page: 191-192 | - |

EXCLUSIVE STANDARD NOTIFICATIONS

| Description of General Standard Notifications | Explanation/Page | Excluded |
|---|--|--|
| CATEGORY: SOCIAL | | |
| SUB-CATEGORY: WORK FORCE PRACTICES AND DECENT WORK | | |
| FACTOR: EMPLOYMENT | | |
| G4-DMA | General notifications about management approach | • Corporate Development and Human Resources, Page: 54-63 - |
| G4-LA1 | Total number and rate of newly employed people and employee cycle according to age, sex and region | • Corporate Development and Human Resources, Page: 54-63 • Employee Demographics, Page: 194-196 - |
| G4-LA3 | Back to work and tenure of office rates after maternity leave according to sex | • Employee Demographics, Page: 194-196 - |
| FACTOR: OCCUPATIONAL HEALTH AND SAFETY | | |
| G4-DMA | General notifications about management approach | • Occupational Health and Safety, Page: 64-68 - |
| G4-LA5 | Percentage of total work force represented in official common management-employee health and security committees helping in monitoring occupational health and security program and presenting opinion | • Occupational Health and Safety, Page: 64-68 - |
| G4-LA6 | Type of injury and accident frequency rates by region and sex, occupational disease, lost day and absence and total number of death case related to work | • Occupational Health and Safety, Page: 68 • Social Performance Table, Page: 193-194 - |
| G4-LA8 | Headings related to health and security in scope of official agreements with syndicates | • Occupational Health and Safety, Page: 64-68 - |
| FACTOR: EDUCATION AND TRAINING | | |
| G4-DMA | General notifications about management approach | • Corporate Development and Human Resources, Page: 54-63 - |
| G4-LA9 | Annual average training hour per employee by sex and employee category | • Corporate Development and Human Resources, Page: 54, 56-57 • Social Performance Table, Page: 193-194 - |
| G4-L10 | Talent management and lifelong education programs supporting employees uninterrupted employment and helping them managing their career end | • Corporate Development and Human Resources, Page: 54, 56-57 - |
| G4-LA11 | Employee percentage passing through regular performance and career development evaluation by sex and category of employee | • Corporate Development and Human Resources, Page: 54, 56-57 - |

GRI G4 CONTENT INDEX – CORE

| EXCLUSIVE STANDARD NOTIFICATIONS | | | |
|---|---|---|---|
| Description of General Standard Notifications | Explanation/Page | Excluded | |
| FACTOR: DIVERSITY AND EQUALTY IN OPPORTUNITY | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 58-60 | - |
| G4-LA12 | Combination of management bodies and distribution of employees by employee categories described according to sex, age, minority group and other diversity indicators | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 58-60 Employee Demographics, Page: 194-196 | - |
| SUB-CATEGORY: HUMAN RIGHTS | | | |
| FACTOR: INVESTMENT | | | |
| G4-HR2 | Total hour and percentage of employees trained on human rights policies and procedures related to human rights factors in activities | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 58-59 | - |
| FACTOR: PREVENTING DISCRIMINATION | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 54-63 | - |
| G4-HR3 | Total number of discrimination case and corrective measures taken | No discrimination case has been encountered in reporting period. | - |
| FACTOR: RIGHT OF ORGANIZATION AND COLLECTIVE AGREEMENT | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 54-63 | - |
| G4-HR4 | Activities determined where organization and collective agreement right can be violated or under a significant risk and suppliers and preventive measures taken to support these rights | No such event has been encountered in Çimsa operations in reporting period. Same principle is pursued for audition process, no risk factor has been encountered. | - |
| FACTOR: CHILD LABOR | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 54-63 | - |
| G4-HR5 | Activities and suppliers determined to be under a significant risk in terms of child labor and measures taken to contribute effectively removing child labor | No child labor risk has been observed in Çimsa operations during reporting period. Same principle is pursued for audition process, no risk factor has been encountered. | - |
| FACTOR: FORCED LABOUR OR INVOLUNTARY SERVITUDE | | | |
| G4-DMA | General notifications about management approach | <ul style="list-style-type: none"> Corporate Development and Human Resources, Page: 54-63 | - |
| G4-HR6 | Activities and supplies determined to have a significant risk in terms of forced labor and involuntary servitude and measures taken to contribute removal of every kind of forced labor and involuntary servitude | No forced labor or involuntary servitude risk has been observed in Çimsa operations during reporting period. Same principle is pursued for audition process, no risk factor has been encountered. | - |

EXCLUSIVE STANDARD NOTIFICATIONS

| Description of General Standard Notifications | Explanation/Page | Excluded | |
|---|--|--|---|
| SUB-CATEGORY: SOCIETY | | | |
| FACTOR: FIGHT AGAINST CORRUPTION | | | |
| G4-DMA | General notifications about management approach | Work Ethics, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5 | - |
| G4-SO3 | Total number and percentage of activities assessed in terms of corruption-related risks and detected significant risks | It was unnecessary to take measures since no corruption event has been encountered in reporting period. | - |
| G4-SO4 | Communication and training on policy and procedures of fight against corruption | Work Ethics, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5 | - |
| G4-SO5 | Validated corruption cases and measures taken | No validated corruption case has been encountered in reporting period. | - |
| FACTOR: PUBLIC POLICY | | | |
| G4-DMA | General notifications about management approach | Our Shareholders, Page: 34-35 | - |
| G4-SO6 | Total value of political support by country and receiver/beneficiary | Çimsa is conducting lobbying activities according to company's interest and supports person or groups conducting these activities. | - |
| SUB-CATEGORY: PRODUCT RESPONSIBILITY | | | |
| FACTOR: CUSTOMER HEALTH AND SECURITY | | | |
| G4-DMA | General notifications about management approach | • Value that We Produce and Share, Page: 26-27 | - |
| G4-PR1 | Percentage of significant product and service categories evaluated to improve health and security impacts | • Value that We Produce and Share, Page: 26-27 | - |
| G4-PR2 | Total number of events of nonconformance to regulations on health and security impacts and voluntary rules during usage period of products and services by type of results | No such event has occurred in reporting period. | - |
| FACTOR: PRODUCT AND SERVICE LABELLING | | | |
| G4-DMA | General notifications about management approach | • Value that We Produce and Share, Page: 26-27 | - |
| G4-PR3 | Organization product and service information and type of product and service information type made obligatory by labeling procedures and percentage of significant product and service categories subject to this information requirements | 100% of Çimsa products are labeled according to legal regulations. | - |
| G4-PR4 | Total number of events of nonconformance to regulations on product and service information and labelling and voluntary rules by type of results | No such event has occurred in reporting period. | - |
| G4-PR5 | Results of investigation calculating customer satisfaction | • R&D and Innovation, Page: 51 • Social Performance Table, Page: 194 | - |

BİM KÜRESEL İLKELER SÖZLEŞİMİ - 2016 İLERLEME BİLDİRİMİ

| İlke | Çimsa'nın Yaklaşımı | Ek Açıklamaların Yer Aldığı Bölüm | Sayfa No |
|--|---|---|----------|
| İş dünyası, ilan edilmiş uluslararası insan haklarına destek olmalı ve saygı göstermelidir. | Çimsa, başta BM İnsan Hakları Beyannamesi olmak üzere insan haklarını düzenleyen ulusal ve uluslararası normlara tam uyumu sürekli olarak gözetmekte ve gerekli uygulamaları hayata geçirmektedir. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, insan hakları ihlallerine fırsat tanımamalıdır. | Çimsa, iş dünyasında insan haklarının korunmasını desteklemektedir. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, çalışanların sendikalaşma özgürlüğünü desteklemeli ve toplu müzakere hakkını etkin biçimde tanımalıdır. | Çimsa, çalışanlarının sendikalaşma özgürlüğü ve toplu müzakere hakkını kabul etmiştir ve bu konuda Türkiye'de örnek bir şirkettir. Rapor tarihi itibarıyla 644 mavi yakalı çalışan toplu iş sözleşmesi kapsamındadır. Çalışanların bağlı olduğu sendika T. Çimsel İş Sendikası'dır. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, her türlü zorla ve zorunlu işçi çalıştırılmasını engellemelidir. | Fırsat eşitliği ve çeşitlilik Çimsa insan kaynağı politikasının yapı taşlarından. Çimsa ayrıca, • her türlü ayrımcılığa, • dünyada ve Türkiye'de her türlü zorla ve zorunlu işçi ve çocuk çalıştırılmasına karşıdır. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, çocuk işçi çalıştırılmasının önüne geçmelidir. | Çimsa çocuk işçi çalıştırılmasına karşı olup, iş dünyasında bu konuya ilişkin alınan tüm inisiyatifleri desteklemektedir. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, işe alım ve çalışma süreçlerinde ayrımcılığın önüne geçmelidir. | Çimsa işe alım ve çalışma süreçlerinde ayrımcılığa karşı olup, iş dünyasında bu konuya ilişkin alınan inisiyatifleri desteklemektedir. | Kurumsal Gelişim ve İnsan Kaynakları İş Sağlığı ve Güvenliği | 54-63 |
| İş dünyası, çevre sorunlarını önleyici ve çevreyi koruyucu yaklaşımları desteklemektedir. | Çimsa, çevre ile ilişkili projelerini ve paydaşlarıyla etkileşimli çalışmalarını yoğun olarak sürdürmektedir. | İklim ve Enerji Çevre Yönetimi | 70-79 |
| İş dünyası çevreye yönelik sorumluluğu artıracak her türlü faaliyeti ve oluşumu desteklemektedir. | Çimsa, ülkemizde çevre sorumluluğunun ve çevre sorunları hakkındaki farkındalığın artması hedefiyle çok sayıda faaliyeti ve oluşumu desteklemekte; üretim döngüsü kapsamında çevresel etkileri en aza indirmeye yönelik projeleri hayata geçirmektedir. | İklim ve Enerji Çevre Yönetimi | 70-79 |
| İş dünyası, çevre dostu teknolojilerin gelişmesini ve yaygınlaşmasını desteklemektedir. | Çimsa, çevre dostu teknolojilerin gelişmesini ve yaygınlaşmasını, üretim ve ticaret döngüsü kapsamında en güncel teknolojileri yaygın olarak kullanarak desteklemektedir. | İklim ve Enerji Çevre Yönetimi | 70-79 |
| İş dünyası, rüşvet ve haraç dahil her türlü yolsuzlukla mücadele etmelidir. | Çimsa, yolsuzlukla mücadeleye ve terör finansmanının önlenmesine, ilgili mevzuat ile Şirket politikaları çerçevesinde tam, doğru ve etkin olarak destek vermektedir. | Kurumsal Yönetim, Risk Yönetimi, İç Denetim | 32-33 |

Contact Us

Çimsa Çimento Sanayi ve Ticaret A.Ş

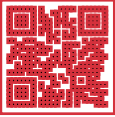
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