



2017 INTEGRATED
ANNUAL REPORT

**STRONG FOUNDATIONS,
SUSTAINABLE
LEADERSHIP**

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B 1

ABOUT THE INTEGRATED ANNUAL REPORT

This report is the second integrated annual report of Çimsa.

With this report, Çimsa reviews the current output of its activities and its future plans and goals in the scope of the capital framework proposed by the IIRC (International Integrated Reporting Council) of which it is a member of 4 years; the company also views, analyzes and reports it to its stakeholders from an integrated perspective.

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

It is crucial and top priority for Çimsa for the integrated annual report to be accessible by all stakeholders. In this framework, the report was produced with an environment-friendly perspective and was shared electronically. The report can be accessed via the website www.cimsa.com.tr and through the link Sustainability and Investor Relations, as well as via the sustainability website of Çimsa: www.cimsadasurdurulebilirlik.org.

Unless stated otherwise, all information in this report is 2017 end-of-year data. The financial results of Afyon Cement Industry Inc. Co., a Çimsa affiliate (51%), are included in the consolidated financial results of Çimsa, but its other indicators are excluded. Çimsa aims at gradually including the environmental and social sustainability data of Afyon Cement starting from the next annual report.

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 on the determination of report content described in the GRI G4 Guideline, especially on the principle of

prioritization. Performance notifications were mainly presented in the scope of the GRI G4 indicators; additionally, the United Nations Global Compact (UNGC) development reporting principles -which Çimsa adhered to in 2013, and the World Business Council For Sustainable Development (WBCSD)'s Cement Sustainability Initiative (CSI) principles were also taken into consideration.

The 2017 Integrated Annual Report of Çimsa, whose shares are publicly traded in the Borsa Istanbul Exchange, is also in accordance with the minimum annual reporting requirements of the Turkish Code of Commerce and the Capital Market Law.



ÇİMSA

- This report has been published on 26 March 2018.
- The Report's GRI Content Index approval process is still ongoing. As soon as the process is completed, the PDF file appearing on the Çimsa corporate website will be updated.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



SUCCESSFUL RESULTS ON OUR

- **45TH YEAR**

We have reached the objectives we had set for 2017.

- **INVESTMENTS**

We have concluded the investments that will give momentum to our future value production power.

- **STRATEGIC FOCUS**

Our strategy is focused on the production of lasting value production for our stakeholders in the short, medium and long-term with a sustainable and profitable growth.

MEHMET HACIKAMILOĞLU
CHAIRMAN OF THE BOARD OF DIRECTORS

Dear stakeholders,

In 2017 where it celebrates its 45th year, Çimsa has not only reached its goals, but it has also made key investments that will shape its future and therefore, it has reinforced the value it creates for its stakeholders.

In the year 2017 where global economic growth has accelerated beyond predictions,

a speed-up has also been observed in the economic recovery of developed countries. During the same period, the growth performance of developing countries has gained momentum as well. While the monetary policies implemented by the world's leading central banks (such as the Fed, the European Central Bank and the BoJ) and aimed at reviving economic activity have had positive effects, the increased trend for global risk-taking after the first quarter of 2017 has supported capital movements oriented towards developing countries.

Turkish economy had an energetic performance in 2017.

It has demonstrated strong growth in that year. The growth rate of the third quarter of the year exceeding by 11.1% the previous year's performance on the same period has pointed to the strongest performance in the last 6 years. Private consumption expenditures have had the greatest contribution on growth with 7 points on the third quarter. A rise in public consumption expenditures has also been in question in the same period.

We made important investments on our 45th year.

Çimsa has been proudly celebrating its 45th year in the midst of fluctuating global and national economic conditions.

In 2017 where it celebrates its **45th year**, Çimsa has not only reached its goals, but it has also made key investments that will shape its future and therefore, it has reinforced the value it creates for its stakeholders.

Our company has not only achieved the financial and operational goals it had set for 2017, but it has also further reinforced its value production power and its competences by carrying out important enterprises and investments that will shape its future.

In 2017, Çimsa has successfully completed and implemented three significant investments which it had initiated in the recent past.

Our Afyon Plant has been moved to its newly-built modern and green compound equipped with state-of-the-art cement production technology.

The white cement investment we made in our Eskişehir Plant has also been completed and the I. production line has been modified so as to produce both grey and white clinker. We believe that this investment will strengthen our position on the global scene even more.

With the finalization of the investment at our Niğde Plant aimed at increasing capacity, we have reached a level where our competitive clinker production capacity structure has been even more fortified.

We are focusing on new horizons with our simple, realistic and flexible strategy.

Çimsa's strategy is focused on the production of lasting value production for its stakeholders in the short, medium and long-term with a sustainable and profitable growth. I am pleased to express that in 2017, Çimsa has successfully fulfilled its goals in the areas of

- economic performance
 - new product and new market development through R&D and innovation
 - energy efficiency
 - creation of economic values through environmentally-profitable investments
 - human development
 - management of risks and opportunities,
- and that it has made a leap forward that will support its medium and long-term growth.

Our strategic plan hosted by our Board of Directors and mentored by our higher management is implemented with a win-win approach and by remaining loyal to integrated management principles.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

This approach of ours allows us to add sustainable value to the welfare of all of our partners, particularly our human resources, our customers and our stakeholders.

Çimsa is ready for tomorrow since yesterday.

Throughout nearly half-a-century, Çimsa has revealed a strong,

- sustainable and healthy performance in the main objectives of
 - adding value to Turkish economy and to the society it belongs to,
 - continuously improving stakeholder and investor value,
 - becoming a role model in the cement industry,
 - improving customer satisfaction in internal and external markets,
- and ensuring the best efficiency in all types of natural resources.

Performing on the axis of these objectives, Çimsa has excellently fulfilled its responsibilities.

As a member of Sabancı Group, one of Turkey’s leading economic and industrial actors, Çimsa is constantly gaining strength with its highly-developed foresight, sound financial structure, change internalizing skill and professional

human resources; all the while focusing on the future.

With the forward leaps it will make in the years to come, Çimsa will reinforce its leadership position in the global and national cement industries on the one hand, and on the other, it will continue to create more values for its stakeholders and to increase its contribution to Turkish economy.

We are concentrating on growth as a profitable and efficient company.

Global markets that have shown some significant fluctuations in the past 10 years have entered a phase of recovery. Our visions for the future are positive. It is estimated that the growth in developed economies will continue its ascension in 2018 and beyond. We are strongly aware of the great potential that exists in Turkey and in its surrounding geography, and we construct our growth scenario based on this dynamic market we belong to.

.....

Çimsa is constantly gaining strength with its highly-developed foresight, sound financial structure, change internalizing skill and professional human resources; all the while **focusing on the future.**

.....

In this process where competition will also escalate, changes in supply and demand components will continue to be. The increase in input prices (in energy particularly) will continue in parallel with global economic growth and will take its place among main risks that will affect our production-trade cycle.

As a profitable and efficient company dedicated to balancing risks and opportunities through a proactive approach, Çimsa will continue to grow and advance resolutely towards tomorrows.

Before presenting our second integrated annual report to your attention,

I also would like to share my short observations on our reporting practices. Having an old activity and sustainability reporting tradition, Çimsa blazed the trail in the real sector by dressing the very first integrated activity report published in Turkey and presented to you last year. We believe this second report of ours is much more transparent and simple in light of the feedback from our stakeholders and of our experiences.

As a profitable and efficient company dedicated to balancing **risks and opportunities** through a proactive approach, Çimsa will continue to grow and advance resolutely towards tomorrows.

On this occasion, on my and the Board of Directors' behalf, I would like to extend my gratitude to all Çimsa members for their devoted work, to all of our customers for their trust in and loyalty to our brand, to our business partners in our supply and value chain, and to all of our other stakeholders.

Best regards,

Mehmet HACIKAMILOĞLU
Chairman of the Board of Directors

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MESSAGE FROM THE GENERAL MANAGER



THE POWER OF FORESIGHT

- **IN THE YEAR 2017**

By joining with our competences, our foresight of risks and opportunities has once again made us perform excellently.

.....

- **INVESTMENT YEAR**

We have made 106 millions of US Dollars-worth investments in 2017.

.....

- **THE SUCCESS FORMULA**

Our market experience
Our R&D know-how
Our strong corporate and financial structure.

NEVRA ÖZHATAY
General Manager

Dear stakeholders,

On our 45th year, we delivered a performance that accentuated our success.

Conducting its activities based on a foresight of risks and opportunities presented by global and national markets and a business model that focuses on superior production competences and operational efficiency, Çimsa has demonstrated a strong operational and financial performance on its 45th year of operation.

In 2017, Çimsa has fortified its position in national markets, and has maintained its leadership in international markets, especially in the area of white cement and special products.

While our total sale of cement has surpassed 7 million of tons in 2017, our total turnover has been of 1,490 million TRY. Our gross profit rate is of 27%, our EBITDA margin is of 26% and our consolidated net profit has been reported as 247 million TRY.

During the year we left behind, our return on equity has been of 16%, our return on assets of 7% and our earnings per share, 1,6904 TRY.

Çimsa's 2017 export was of 1.6 million tones.

Çimsa is also pursuing its activities in a stable and healthy fashion in export markets. Our products are sold to more than 65 countries all around the world, and are contributing and adding value to human life and economic development.

Our export rate has constituted 30% of our total sales in 2017 and our export income has exceeded 120 million US Dollars. The markets where we grew the most in 2017

Our products are sold to more than **65 countries all around the world,** and are contributing and adding value to human life and economic development.

have been the Mediterranean Basin, West Africa and North America.

In the period to come, Çimsa will continue to manage opportunities with a balanced approach and to grow in a sustainable and profitable way.

The investments we completed in 2017 have made us stronger in every way.

With a total investment expenditure of 106 million US Dollars, Çimsa has concluded a significant investment period. During the year 2017 where our company has achieved its highest level of investment, it has:

- Moved its Afyon Plant to its modern compound built on a new zone;
- Completed its modification investment in the Eskişehir Plant;
- And raised the production capacity of the Niğde Plant.

While the investment we have made in the last 3 years to our Afyon plant has reached 165 million US Dollars, our new plant is making us proud with its technical and environmental qualities that make it a global example.

As part of the modification plan of the Eskişehir Plant launched in 2015 and completed in 2017, our manufacture's 1st Production Line has been modified so as to produce both grey and white cement.

Our Niğde Plant investment which constitutes another capacity-increase project has been completed in June 2017 and the manufacture's clinker production capacity has been doubled.

We believe that these endeavors brought to life in 2017 will contribute to Çimsa's brand strength both nationally and internationally, and will help us to expand our products' consumer group.

MESSAGE FROM THE GENERAL MANAGER

Sustainability, environment and occupational health and safety are Çimsa's priorities.

Another topic I would like to touch upon regarding our investments and that I deem important is that the projects we carry out at Çimsa are not solely based on the building of new plants and on the increase of capacities.

Each year, Çimsa makes sustainability, environmental and occupational health and safety investments at different scales and in great numbers in its facilities, and it also contributes to its stakeholders, aside from the total value it produces. Çimsa will continue to adopt the newest technologies and production models in its industry and will continue to carry out investments on all relevant areas in order to develop its activity and efficiency levels in production. The determination we will demonstrate in this area will serve our company's medium-term goals and will play a significant role in our production of a lasting and sustainable stakeholder value. Likewise, each new investment we will make will allow us to further strengthen the value that we add to environment and society.

Human resources are our most valuable assets.

With the vision of creating a high performance culture in the area of human resources, Çimsa aims to be a fair and egalitarian workplace where employee rights are protected, where talents of all levels are honed, where there is no gender discrimination and equal opportunities are given to men and women, and where the best standards are set in terms of occupational health and safety.

Due to the principles of the UN Global Compact Network and of the UN Women's Empowerment Principles (both of which we support and are a part) creating and implementing corporate policies that will improve social gender equality is one of our priorities as regards human resources at Çimsa. By extension, our works on the matter are continuing uninterrupted. As of the end of 2017, the number of our female employees has reached 118 and the ratio of female employees among total employees has been of 10%.

The formula of our success

The most important factors in our sustainable growth, development and success are our experience on the market in production and trade, our R&D knowledge and our strong corporate and financial structures.

Çimsa believes that the only way to sustainability is a rational and efficient use of resources. Accordingly, Çimsa has changed its infrastructure and is now making a statement in its production activities with its approach to raw materials and energy, generating outstanding projects.

Innovation, change, vision and planning competencies which have an indisputable place in Çimsa's corporate culture play a vital role in the smooth completion of large scale and key investments in a challenging market context.

We are overjoyed to share with you Çimsa's second integrated annual report.

Aside from Çimsa's financial and operational performance in the year 2017, our integrated activity report includes the added value we produce on environmental and social platforms. The report discusses our business model and our plans and goals for the future in the framework of the IIRC capital categorization recognized worldwide. We deem that the level we have reached in our reporting practice is a proof that we have duly internalized integrated thinking and sustainability in our business processes; and in view of this, we aim at becoming an economic actor which generates exemplary outputs.

Çimsa is focused on developing its production, its trade and its value production power.

As long as our business principles based on transparency and accountability, integrity and reliability, responsibility towards the environment and society and on non-compromise in quality are beacons of light along our journey of growth, Çimsa will continue its

As long as our work principles show us the **way on our path to growth**, Çimsa will continue its advancement in the global arena as a respectable and strong actor of its industry.

advancement in the global arena as a respectable and strong actor of its industry.

I would like to extend my most sincere gratitude and respect to, first of all, all the devoted Çimsa employees who contribute to our performance by accompanying us on our journey to realizing our vision; as well as to our consumers who choose our products, our partners, our Board of Directors and all of our other stakeholders.

Nevra ÖZHATAY
General Manager

BOARD OF DIRECTORS



From left to right

▶ **Mehmet HACIKAMILOĞLU**
Chairman

▶ **Hasan Cihat ERBAŞOL**
Independent Member

▶ **Serra SABANCI**
Deputy Chairman
(as of 31.03.2017)

▶ **Mehmet KAHYA**
Independent Member

▶ **Gökhan EYİĞÜN**
Member
(as of 31.03.2017)

▶ **Barış ORAN**
Member

Özgeçmiş bilgileri için → 85 s.

SENIOR MANAGEMENT



From left to right

Eren MANTAŞ
Deputy General Manager
(Finances and Financial Affairs)

Cem TALAY
Deputy General Manager
(Grey Cement Sales and Marketing)

Bilgen ÇAĞLI
Deputy General Manager
(Corporate Development and Human Resources)

Caner TÜRKYENER
Deputy General Manager
(Ready-Mixed Concrete)

Nevra ÖZHATAY
General Manager

Dr. Önder KIRCA
Deputy General Manager
(Innovation, R&D and Grey Cement Export)

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

Ümit ÇETİN
Deputy General Manager
(Purchasing and Logistics)

Gürol ÖZER
Deputy General Manager
(Cement Operations and Investments)

For resume information → 88 s.

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ABOUT ÇİMSA

2017 INTEGRATED ANNUAL REPORT

CORPORATE PROFILE



Çimsa is an international cement and construction materials company with a global and national experience and know-how of 45 years; along with a R&D-based power, wide product range, environment and human-friendly approach and innovative employees. It is constantly growing by making a difference in its sector..

Leading corporation of Turkish cement industry

One of the leading corporations of Turkey's cement industry, Çimsa launched its operations in 1972.

Çimsa is an international cement and construction materials company with a global and national experience and know-how of 45 years; along with a R&D-based power, wide product range, environment and human-friendly approach and innovative employees. It is constantly growing by making a difference in its sector.

Çimsa is focused on completely and promptly meeting the product and solution needs of its customers with its market-focused approach and wide distribution network. As a reliable business partner of its stakeholders, Çimsa provides living environments for future generations, as well as materials needed for their infrastructures.

Çimsa is the leading innovation company in the cement and construction materials industry in Turkey with special products like white cement and calcium, in addition to grey cement.

It exports white cement and special products to more than 65 countries.

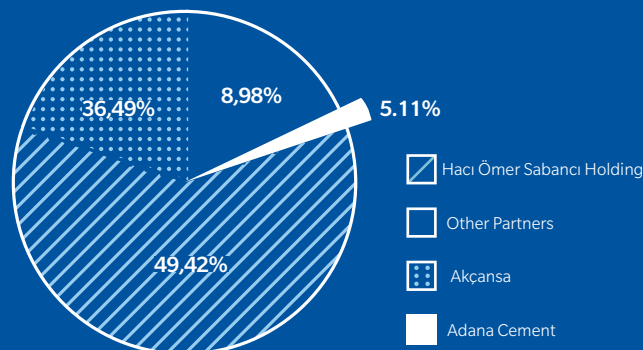
One of the leading brands of white cement in the world, Çimsa increases the recognizability of its brand on international platforms by exporting value added products that it develops, all the while contributing to its sector and to Turkish economy. Çimsa exports white cement and special products to more than 65 countries, mainly to the Middle East, Europe, North Africa and the United States.

About the future

Çimsa aims at pursuing its growth by maintaining its competitive production power in the framework of the strategy it will be implementing in 2018 and beyond. The compass which Çimsa will be wielding to reach its goals is sustainability, which is also the leverage of all of its activities. Reviewing the benefits of the propagation of the integrated approach within the company, the business model and the main targets that are related to it, Çimsa firmly believes that it will pursue its leadership in the field, basing itself on these themes.



The Shareholding Structure



cimsa.com.tr



The shareholding structure of Çimsa as of the end of 2017 is as follows.

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

ÇİMSA AT A GLANCE

Leading corporation of Turkish cement industry

One of the leading corporations of Turkey's cement industry, Çimsa launched its operations in 1972.

65



PRODUCT EXPORT

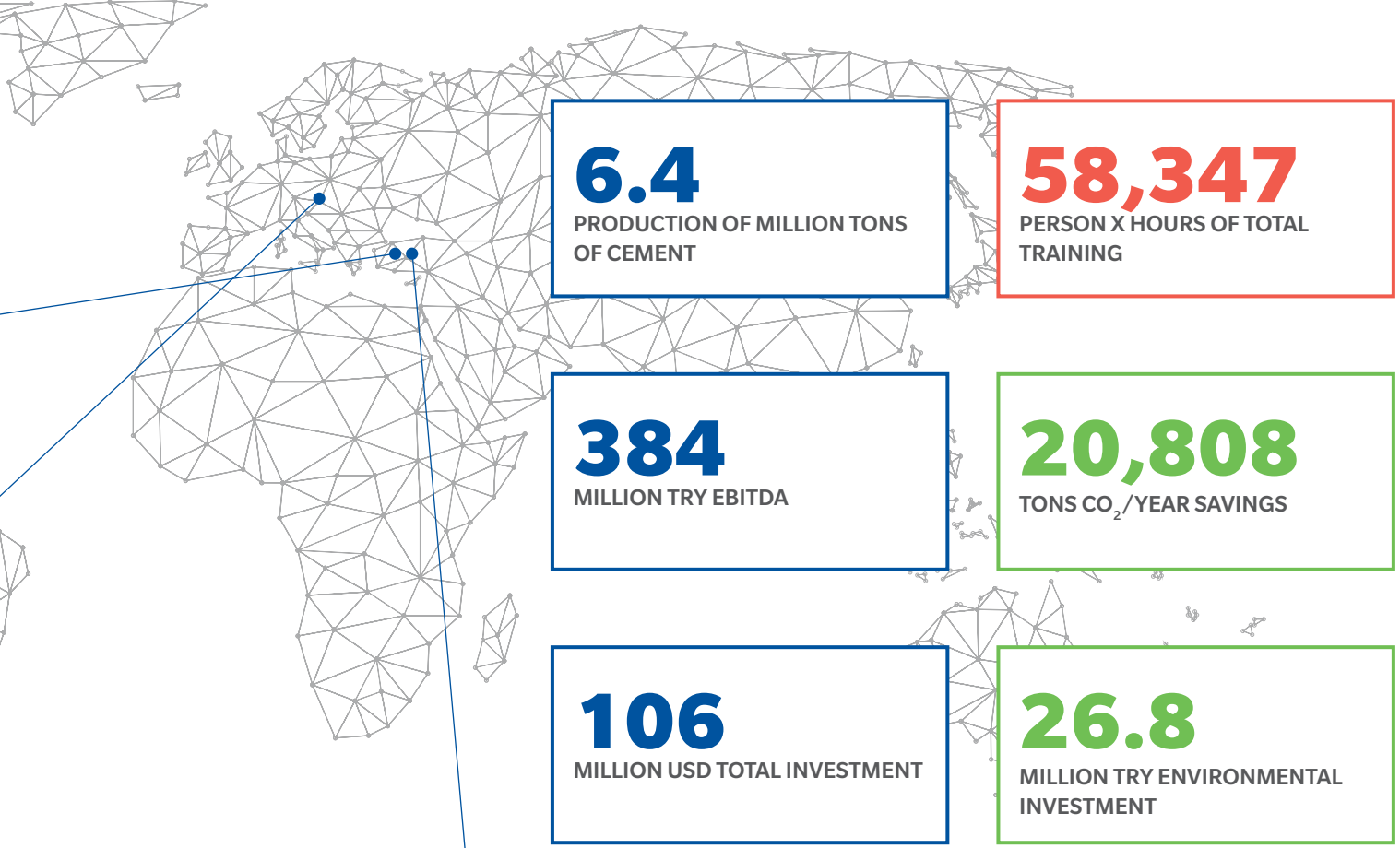
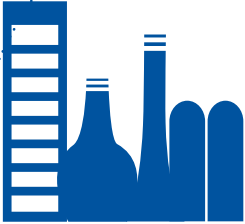
EXPORTING WHITE CEMENT AND SPECIAL PRODUCTS TO MORE THAN 65 COUNTRIES, MAINLY TO THE MIDDLE EAST, EUROPE, NORTH AFRICA AND THE UNITED STATES

6

INTERNATIONAL TERMINAL


CİMSA CEMENT SALES NORTH GMBH (GERMANY)
CİMSA ADRIATICO S.R.L. (ITALY)
CİMSA CEMENTOS ESPANA S.A.U. (SPAIN)
CİMSA CEMENT FREE ZONE LTD. (TRNC)
CİMSAROM MARKETING DISTRIBUTIE S.R.L. (ROMANIA)
OOO CİMSA RUSSIAN CTK (RUSSIA)



5
INTEGRATED PLANT
MERSİN
ESKİŞEHİR
KAYSERİ
NİĞDE
AFYONKARAHİSAR

ANKARA CEMENT GRINDING AND PACKAGING FACILITY
MARMARA TERMINAL
MALATYA CEMENT PACKAGING FACILITY



ÇİMSA'S PRODUCT RANGE

- Grey cement
 - White cement
 - Calcium aluminate cement
 - Special products
 - Ready-mixed concrete
- One of the world's top 3 white cement producers

 **BORSA İSTANBUL** The shares of Çimsa are traded in Stock Exchange Istanbul.

NATIONAL FACILITIES

Eskişehir Plant

Cement facility with the highest rate of substitute fuel consumption in Turkey

Grey cement	1.200.000 tons/year
White clinker	450.000 tons/year
Established in	1957
Acquired by Çimsa in	2005

Kayseri Plant

The cleanest industrial plant in Turkey

Grey cement	1.098.058 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 on the same premises

Grey cement	2.167.500 tons/year
White clinker	1.295.400 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	817.600 tons/year
Established in	1957
Acquired by Çimsa in	2007

Ankara Cement Grinding and Packaging Facility

Portland cement grinding capacity	85 tons/hour
Grey cement	204.000 tons/year
Established in	2002
Acquired by Çimsa in	2005

Marmara Packaging Terminal

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

Afyon Plant

Turkey's new modern cement plant thanks to new investments

Grey cement	1.865.000 tons/year
Established in	1957
Acquired by Çimsa in	2012

Malatya Packaging Terminal

Processing and packaging unit capacity	60.000 tons
Cement silo capacity	800 tons
Established in	1996



OVERSEAS TERMINALS

USA, Germany, Italy, Spain, TRNC, Romania, Russia

Cimsa Cement Sales North GmbH (Germany)

Cimsa Cement Sales North GmbH operates in white and calcium aluminate cement marketing in North and Western Europe under the Çimsa brand, with its bulk cement silo of 9,000 tons. The Company’s registered office is located in Hamburg and provides services in Germany and the Netherlands with various packaged product warehouses and recycling facilities.

Cimsa Adriatico S.R.L. (Italy)

A brand of Çimsa, Cimsa Adriatico SRL provides the Italian cement market -the third largest white cement consumer in Europe after Spain and Germany- with four silos of 5,000 tons each at the Trieste Port. With its advantageous location, the terminal also offers access to Slovenian, Croatian, Bosnia and Herzegovinian, South East German and Austrian markets,

all of which have a high potential for development.

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

Çimsa has been operating in the Spanish market since 1996. The company has two terminals in the country, one in Sevilla with two 5,000-tons silos, and the other in Alicante with a 10,000-tons silo. It also has a facility where white cement-added flooring material is produced, and packing lines with modern structures, as well as a logistics structure.

The 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 Cement Free Zone Ltd. (TRNC)

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

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

Operating on the Constanza market of Romania, the company markets Çimsa white cement and ISIDAÇ 40 to Romanian and surrounding markets.

OOO Cimsa Russian CTK (Russia)

Entering the Russian market in 2008, Çimsa operates there with its Novorossiysk terminal whose capacity is of 7,000-tons silo. The company supplies white cement and ISIDAÇ 40 to the Russian market.

Cimsa Americas Cement Manufacturing and Sales Corp. USA

Çimsa founded Cimsa Americas Cement Manufacturing and Sales Corp. with a capital of US\$ 14 million in the United States in 2017. The company’s field of activity has been determined as cement production, sales and marketing. The investment studies for launching production activities are still ongoing.

PRODUCT RANGE

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



Grey cement standard and special products
www.cimsa.com.tr/cimento



White cement standard and special products
formulunadi.com/tr/anasayfa/

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



Ready-mixed concrete standard and special products
www.cimsa.com.tr/hazir-beton

MILESTONES: ÇİMSA'S 45-YEAR-OLD SUCCESS STORY

1972

Çimsa was founded in Mersin.

1975

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

1988

Entered the ready-mixed concrete sector.

1990

The world's first interchangeable grey/white clinker production line based on request was introduced.

1995

A milling/packaging facility was purchased in Kayseri.

1996

The Malatya packaging terminal was purchased. A new white clinker line with 600,000 tons of capacity was introduced in Mersin. With the addition of this production facility, Mersin became the world's biggest white cement plant having the highest capacity on the same premises.

2002

The first Calcium Aluminate Cement was produced in Turkey.

2005

The Northern Cyprus terminal was purchased. Kayseri Plant's clinker line was introduced. Standard cement was purchased (Eskişehir Cement Plant and Ankara Cement Grinding Facility).

2006

Romania sales office was established.

2007

Çimsa acquired the Oysa Niğde Plant.

2008

The Eskişehir second line was introduced. With the purchase of Bilecik Ready-Mixed Concrete, Çimsa became Turkey's biggest producer in the ready-mixed concrete sector in terms of number of facilities.

2009

The Russia terminal was introduced.

2010

Çimsa published its first sustainability report covering the period 2007 - 2010. 60% of the shares of MEDCON which owns the Trieste terminal were purchased in February 2010. Çimsa started producing the Super Bims Cement.

2011

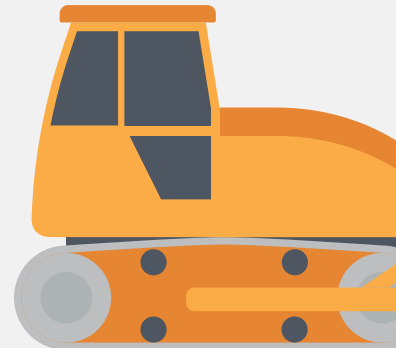
The HotDisc (Waste Feeding and Waste Energy Recovery) investment was completed at the Eskişehir Plant.

2012

51% of Afyon Cement Industry and Trade Inc. Co. shares were purchased on 31.05.2012 from PARCIB S.A.S, a company of Italcementi Group. Denizli Üçler Ready-Mixed Concrete Facility and Agreg Operations were purchased in December 2012.

2013

Became the first and only Turkish company to join the Cement Sustainability Initiative (CSI). Ratified the United Nations Global Compact Principles.



2014

Re-establishment of the Afyon Cement Plant was decided with an investment budget of 165 million USD on 21 November 2014. The Eskişehir Plant received the TS10002 Customer Satisfaction Management System certificate.

2015

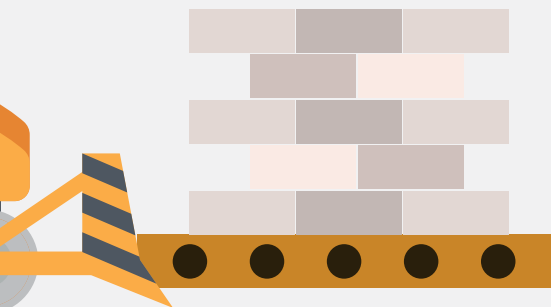
Çimsa was bestowed the “Social Gender Equality at the Workplace Award” by the Turkish Ministry of Labor and Social Security, Department of Labor. Çimsa announced its white cement investment of 55 million USD at the Eskişehir Plant.

2016

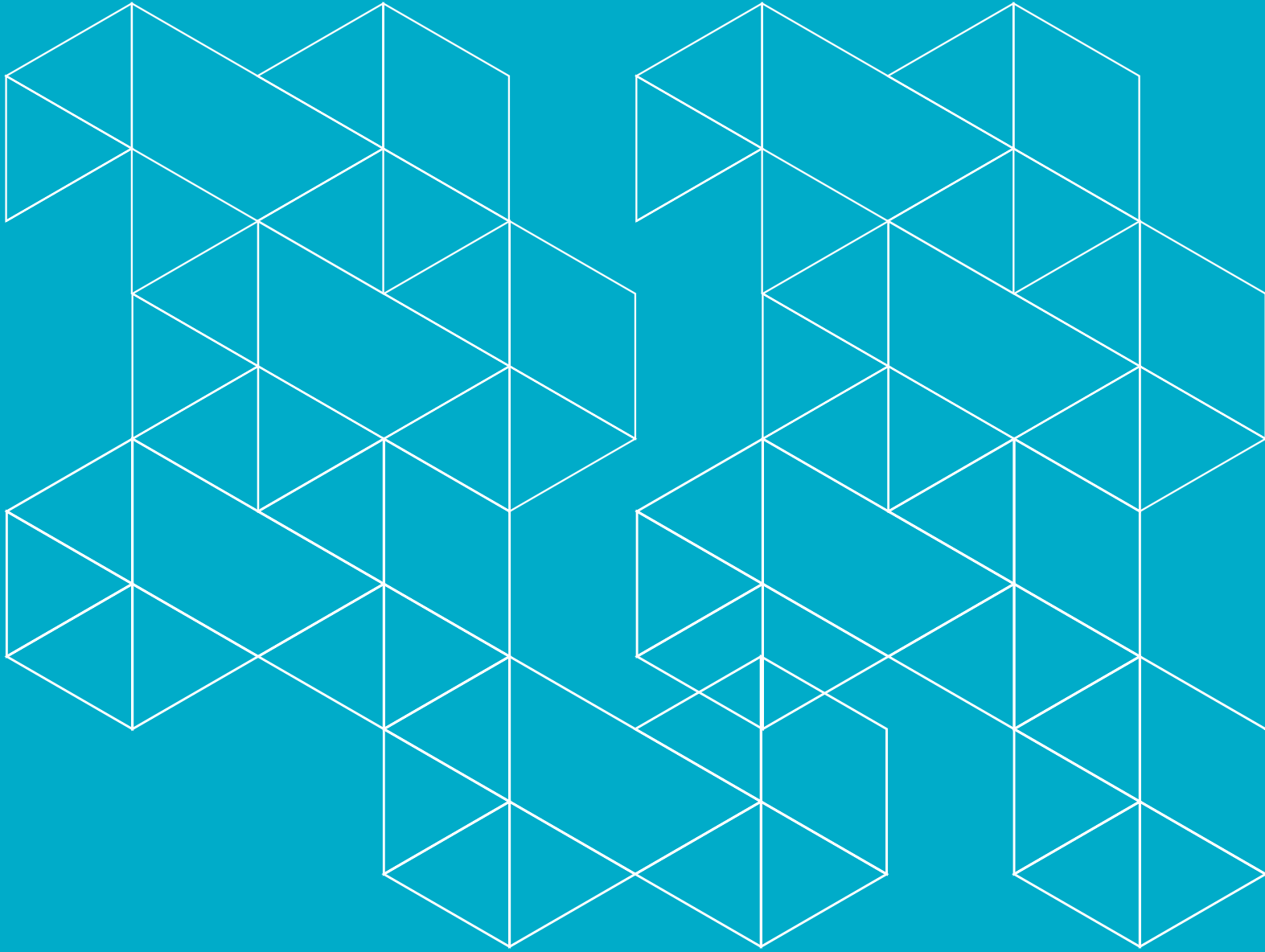
A first in the Turkish cement sector, Çimsa placed in the A- category and won the “CDP Turkey 2016 Climate Leader” Award according to the Climate Change Report results.

2017

With the celebration of Çimsa’s 45th anniversary, 2017 has been a year where the new foundations of the company’s future growth were laid. Afyon Plant has been moved to its newly-built modern and green compound equipped with state-of-the-art cement production technology. The Eskişehir Plant’s white cement expansion investment and the Niğde Plant’s capacity-increase investment have been completed.



B 4



STRATEGY AND STAKEHOLDERS

2017 INTEGRATED ANNUAL REPORT

ÇİMSA'S STRATEGY AND VALUE CREATION PROCESS

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 reaching these goals and thus, it 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 outputs derived from the interactive relationship that it built with its stakeholders and its impact on society in the widest 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 helps it reach its short, medium and long-term goals.

In line with its master strategy and the priorities it has set for 2017, Çimsa has determined the following topics as "main value creation elements":

- **Economic Performance**
- **New Product and New Market Development Through R&D and Innovation**
- **Energy Efficiency**
- **Creation of Economic Values Through Environmentally-Profitable Investments**
- **Human Development**
- **Management of Risks and Opportunities.**

In the framework of value creation elements, Çimsa has defined the main

targets that will shape its success in the short, medium and long term.

The year 2017 is a milestone in terms of the maturation of the integrated perspective and of the redetermination of main target programs in a format that will contribute to the company's wholistic success.

This main framework ensures the execution of Çimsa's value creation chain that serves Çimsa's 6 different capital elements and that is aligned to the company's strategy and business model, in a manner that promotes the participation of all departments in team spirit. In the scope of works carried out based on wholistic integrated governance principles, Çimsa's primary stakeholders' expectations and needs are taken into consideration and the sustainability of activity cycle based on a win-win approach is ensured.

The year 2017 is a milestone in terms of the maturation **of the integrated perspective** and of the redetermination of main target programs in a format that will contribute to the company's wholistic success.

ÇİMSA'S STRATEGY AND VALUE CREATION PROCESS



ÇİMSA'S PRIMARY THEMES

- BEING HUMAN-ORIENTED
- CUSTOMER SATISFACTION AND MARKET FOCUS
- SUCCESS BASED ON ECONOMIC PERFORMANCE
- SUSTAINABILITY

The Afyon Plant is on its new compound.

In 2017, Çimsa has moved the Afyon Plant to its new compound.

Apart from the new facility's outstanding technological and environmental features, the advantages at the disposal of its employees reflect the high level which Çimsa has reached in terms of production and management.

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 through which Çimsa's strategy produces long-term added value for its stakeholders.

During Çimsa's business model constitution process, parallel priorities have also been fixed along with the 6 value creation components. In this context, Çimsa's primary themes have been gathered under 4 main banners.

- Being human-oriented
- Customer satisfaction and being market-oriented
- Success based on economic performance
- Sustainability

The company conducts studies for each priority in the framework of the operation model it has established, and creates value for the relevant stakeholder group.

Relationship of Çimsa's 4 priorities with the value production cycle

- Çimsa considers human being the highest value. In terms of employees and suppliers/subcontractors who constitute the company's primary stakeholders, the creation and maintenance of a work environment that is in line with occupational health and safety requirements and

that is based on communication and development-oriented management principles represent our main goals. Employees competence, knowledge and skills are increased through development programs; in this way, all Çimsa employees participate in Çimsa's journey to reaching its goals.

- An R&D and innovation-oriented approach is the main source of strength from which Çimsa manages its customer satisfaction and focuses on the market. Çimsa targets a management of customer service processes that will ensure superior product and service quality by developing new products that will meet customers' needs and expectations.
- Çimsa considers economic performance-based success as a

priority. In this context, the company integrates its studies of excellence to all of its activities and adopts efficient financial management, working capital management, production management and purchasing and logistics management as value adding tools.

- Under the banner of sustainability, Çimsa ensures that all adequate management-audit-control principles are spread to all processes of the company and hence, it reinforces its image as a company that pursues its existence in the cement sector with outstanding applications and a strong stance. Çimsa conducts studies which aim at a green environmental management which is fully aligned with the law and is climate change-conscious.

.....

An R&D and innovation-oriented approach is the main source of strength from which Çimsa manages its customer satisfaction and focuses on the market.

.....

ÇİMSA BUSINESS MODEL

OUR REASON FOR BEING

OUR GOAL

To become an international cement and construction materials company which leads the industry for a livable future

OUR VALUES

1 Human Development

2 New Product and New Market Development Through R&D and Innovation

OUR PRIORITIES

Being Human-Oriented

Customer Satisfaction and Being Market-oriented

OUR OPERATION MODEL

Management Based on Communication and Development

R&D and Innovation Approach
Customer Technical Support Units

MAIN STAKEHOLDERS WE PROVIDE BENEFIT



THE VALUE WE CREATE

- Increase of competency, knowledge and skill of employees through development programs
- A work environment and culture in line with Occupational Health and Security requirements
- Development of new products that will satisfy the needs of customers
- Management of operation and customer support processes so as to ensure superior quality of product and service

OUR MISSION

To create value for all our stakeholders as a company that swiftly produces solutions to our customers' and employees' differing needs in an ever-changing world with products and services we have developed with our business partners in order to ensure sustainability of growth

3

Economic Performance

Success Based on Economic Performance

Operational Excellence



4

Creation of Economic Values Through Energy Efficiency and Environmentally-profitable Investments

5

Management of Risks and Opportunities

Sustainability



Management-Audit-Control







- Effective financial management
- Effective net working capital management
- Efficient production operations and management
- Effective purchase and logistics management

- A company profile that preserves itself in the cement industry with outstanding applications and a strong stance.
- An environmental management in line with legal regulations and sensitive to climate change.




Çimsa's Stakeholders

-  Customers (Dealers and Users)
-  Personnel

-  Shareholders and Investors
-  Suppliers and Subcontractors

-  Local People and Public Opinion
-  Public institutions







THE VALUES CREATED BY ÇİMSA AND ITS GOALS

Concerned Priority	The Capital Factor	The Value Factor	Concerned Stakeholders	Main Target
Being human-oriented		A, D, E		Ensuring that Çimsa gains new development models and that all personnel benefit from all training and development opportunities available within the scope of their career plans.
		A, D, E		Reaching a level of zero occupational accidents through programs aimed at increasing and improving the OHS Culture
		A, D, E		Harmonizing the OHS Management Systems of suppliers and subcontractors with Çimsa's.
		D, E		Development and dissemination of the Children of Summer Project organized for children as part of Çimsa's main social responsibility project focus: children
Customer satisfaction and being market-oriented		A, B, D, E		Development of non-available new products according to customer and market needs and leading the industry with new products.
		A, B, D, E		Ensuring the organizational diffuseness of know-how information developed through the R&D center so as to run all Çimsa business processes in a way that will satisfy customers and be market-oriented.
		A, B, D, E		Management of operation and customer support processes so as to ensure superior quality of product and service
		A, B, D, E		Conducting joint projects with Çimsa stakeholders (universities, non-governmental organizations and customers)
Success based on economic performance		A, C, E		Improvement of energy and environmental performances with new technological facility investments
		A, B, E		Ensuring sales and profitability maximization with white cement and other special products
		A, C, D, E		Optimization of production costs with the use of alternative fuels and raw materials, reduction of natural resources consumption
Sustainability		E, C		Reducing greenhouse gas (GHG) emission
		E		Possession of footprint certificates of international standards

Çimsa's Value Factors

- A** Economic Performance
- B** New Product and New Market Development Through R&D and Innovation
- C** Creation of Economic Values Through Energy Efficiency and Environmentally-profitable Investments
- D** Human Development
- E** Management of Risks and Opportunities

Çimsa's Stakeholders

-  Customers (Distributors and Consumers)
-  Employees
-  Shareholders and Investors
-  Suppliers and Subcontractors
-  Local People and Public Opinion
-  Public Institutions

Key Performance Indicators	The X + 5 Target/Project
Percentage of Çimsa Management Path and Career Kitchen trainings completion	100%
Rate of accident frequency and severity	Reducing the rate of accident frequency with day loss below 3 Reducing Çimsa's accident severity rate below 0.15
Rate of accident frequency and severity	Reducing the rate of accident frequency with day loss below 3 Reducing Çimsa's accident severity rate below 0.15
Rate of implementation of the project in provinces where Çimsa operates	In the next 5 years, implementation of the Project during at least one term in provinces where Çimsa operates
<ul style="list-style-type: none"> Number of cement types developed Number of cement types commercialized 	Production of planned special cement types
<ul style="list-style-type: none"> Development of a portal accessible by all Çimsa members Number of publications created by R&D in the portal Number of monthly R&D sharing meetings 	Completion of internal/external R&D trainings with Çimsa Academy
<ul style="list-style-type: none"> Number of customer visits throughout the year Number of customer technical support expectations met Number of complaints solved with R&D support 	Systematization of customer trainings within Çimsa Academy
<ul style="list-style-type: none"> Number of common projects with universities Number of projects realized with NGOs Number of common projects with customers 	Ensuring reciprocal development by creating a pool of Turkish and foreign instructors who could teach in Çimsa Academy
<ul style="list-style-type: none"> Number of investments carried out as a result of a R&D project aimed at decreasing specific electrical and thermal energy consumption and rate of improvement reached Number of investments carried out as a result of projects aimed at decreasing pollution load and rate of improvement reached Number of investments carried out as a result of a R&D project aimed at decreasing carbon footprint value and rate of improvement reached 	Decrease of specific electrical and thermal energy consumption by 5%
<ul style="list-style-type: none"> Rate of increase in demand of special products resulting from improvements Rate of decrease of costs of special products resulting from improvements 	Increase of use of special products in national and international markets by developing new application areas
<ul style="list-style-type: none"> Alternative fuels consumption rate Alternative raw materials consumption rate 	Completion of necessary investment needs and supply of at least 10% of the total thermal power of Çimsa plants
Rate of reduction in the CO ₂ emission generated for each ton of product	Reduction of greenhouse gas in accordance with legislation
Ensuring the continuity of the ISO 14046 Water Footprint Certificate and of necessary verification studies	Obtaining the ISO 14064 Carbon Footprint Certificate

BUSINESS MODEL- PERFORMANCE OF THE YEAR 2017



Financial Capital

Operating cost of 879 million TRY

Produced Capital

Use of 7.3 million tons of natural raw material

Electricity and thermal energy input of 20.036 TJ

106 million USD worth of plant investment expenditure

1.8 million USD worth of ready-mixed concrete facility investment expenditure



Intellectual Capital

11 R&D employees

1.74 million TRY worth of R&D expenditure

3 new patent applications during reporting period

1 participation to the Horizon 2020 Project



Human Capital

Number of Personnel: 1.027

Number of female employees: 54



Social and Relational Capital

Number of Local Supplier Companies: 33.911

22 Press Release and 2 Press Conferences



Natural Capital

Alternative Raw Material Consumption of 173.979 tons

Alternative Fuel Consumption of 76.506 tons and Rate of Alternative Fuel Consumption of 8.7%



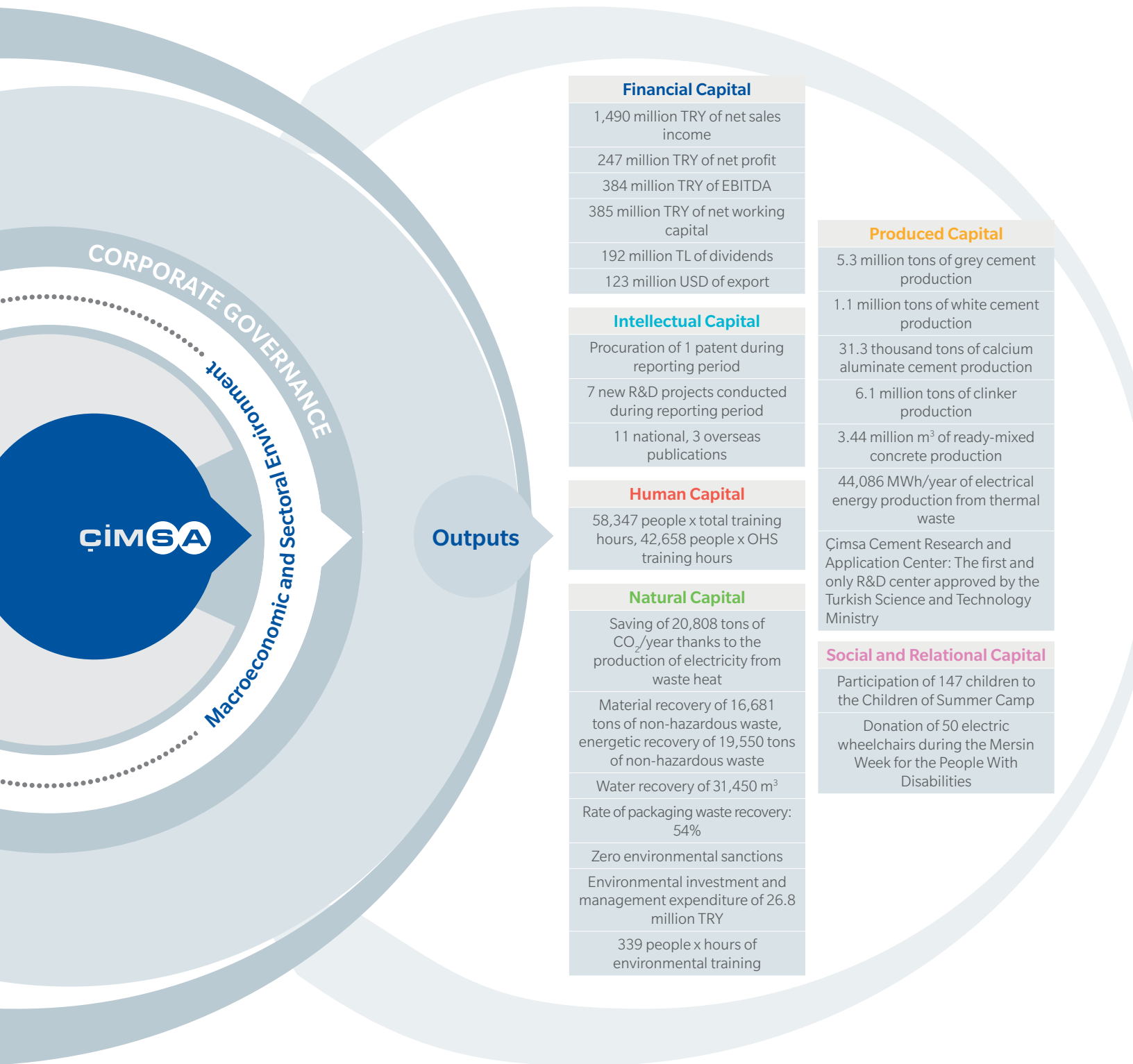
Inputs

MISSION-VALUES

Risk and Opportunities

Production and Trade Cycle

STRATEGY



Outputs

Financial Capital

1,490 million TRY of net sales income
247 million TRY of net profit
384 million TRY of EBITDA
385 million TRY of net working capital
192 million TL of dividends
123 million USD of export

Intellectual Capital

Procuration of 1 patent during reporting period
7 new R&D projects conducted during reporting period
11 national, 3 overseas publications

Human Capital

58,347 people x total training hours, 42,658 people x OHS training hours
--

Natural Capital

Saving of 20,808 tons of CO ₂ /year thanks to the production of electricity from waste heat
Material recovery of 16,681 tons of non-hazardous waste, energetic recovery of 19,550 tons of non-hazardous waste
Water recovery of 31,450 m ³
Rate of packaging waste recovery: 54%
Zero environmental sanctions
Environmental investment and management expenditure of 26.8 million TRY
339 people x hours of environmental training

Produced Capital

5.3 million tons of grey cement production
1.1 million tons of white cement production
31.3 thousand tons of calcium aluminate cement production
6.1 million tons of clinker production
3.44 million m ³ of ready-mixed concrete production
44,086 MWh/year of electrical energy production from thermal waste

Çimsa Cement Research and Application Center: The first and only R&D center approved by the Turkish Science and Technology Ministry

Social and Relational Capital







Participation of 147 children to the Children of Summer Camp
Donation of 50 electric wheelchairs during the Mersin Week for the People With Disabilities

ÇİMSA'S STAKEHOLDERS, PRIORITIES AND COMMUNICATION CHANNELS

Çimsa's primary stakeholders are its employees, its shareholders and investors, its customers, the local people and the public opinion, suppliers and public agencies.

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

In addition to its group of primary stakeholders, Çimsa is also in close communication with academic institutions, media and other various stakeholders.

Primary Stakeholders	
Stakeholder	Its priorities
Employees 	Occupational health and safety
	Values and rights given to employees and employee satisfaction
	Encouragement of female recruitment
	Equality at work
	Career and development planning
	Training and development opportunities
	Company's economic performance
Shareholders and Investors 	Company's economic performance
	Profitability and dividends
	Company sustainability
	Corporate management
	Company Profile and Brand Reputation
Customers (Distributors and Users) 	Customer satisfaction
	Product and service guarantee offered to the customer
	Product range and customer expectations
	R&D and Innovation
	Fair market conditions
Local People and Public Opinion 	Environmental impact
	Climate Change
	Biodiversity and Ecosystem Development Activities
	Recruitment (direct/indirect)
	Social Impact (SRP-social responsibility projects, etc.) Educational Contribution (internships, awareness-raising, etc.)
Suppliers and Subcontractors 	Occupational Health and Safety
	Fair market conditions in terms of price and payment
	Sustainable service relationship
	Company's economic performance
Public Institutions 	Environmental Management
	OHS management
	Employee rights

Its channel of communication
Integrated annual report, corporate policies, periodicals, suggestions system, SA-Ethics Principles, collective labor agreement, employee trainings, occupational health and safety committees, internal notifications, social media, website, social activities
Integrated annual report, corporate periodicals, interim activity reports, general assemblies, acknowledgments and material disclosures, investor presentations, meetings and interviews, teleconferences, SA-Ethics principles, social media, e-mail bulletins, website
Integrated annual report, corporate periodicals, product brand-market studies, meetings and trainings, distributors' meetings, periodic visits, interviews, product tags, SA-Ethics Principles, social media, website, social activities
Integrated annual report, social development projects, meetings and interviews, social media, website, sponsorships
Integrated annual report, corporate periodicals, SA-Ethics Principles, meetings and trainings, corporate policies, social media, website, social activities, stakeholders' meetings
Annual report, sustainability report, meetings and interviews, audits, technical reports, website, social activities, sponsorships

Other Stakeholders	
Stakeholder	Its channel of communication
Academic Institutions	Integrated annual report, meetings and interviews, common projects, website, sponsorships, technical visits
Subsidiaries	Integrated annual report, corporate periodicals, meetings and interviews, common projects, social media, website
Financial Institutions	Integrated annual report, interim activity reports, meetings and interviews, website
NGOs, Sectoral Institutions and Professional Organizations	Integrated annual report, social development projects, memberships, meetings and interviews, common projects, social media, website
Media	Integrated annual report, press conferences and releases, meetings, interviews and meetings, social media, website

Çimsa has adopted **effective stakeholder communication** as a part of its Corporate Communication Strategy and Sustainability Strategy.

ÇİMSA'S STAKEHOLDERS, PRIORITIES AND COMMUNICATION CHANNELS



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



For further information on Integrated Reporting Türkiye please visit <http://www.entegreraporlamatr.org/en/>

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)
Turkish Association of People Management (PERYÖN)	Central Anatolia Exporters 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) Turkish Investors' Relations Association (TÜYİD)	Integrated Reporting Turkey Network (ERTA)

In 2017, Çimsa has participated in the below-summarized activities and has found the opportunity to pass on its experiences to its stakeholders by wielding its sharing tools.

Association Concerned, Sharing Space	Presentation Made, Contribution
TÇMB	<ul style="list-style-type: none"> · A presentation has been made by Çimsa’s Environment, Alternative Fuels and Raw Materials Manager on the Best Practices in the Cement Industry, on behalf of the TÇMB during the COP 23 Climate Change Conference in Bonn. · The company’s Environment, Alternative Fuels and Raw Materials Manager has been presiding to and participated in the TÇMB’s Symposium on Business Models for the Use of Municipal Solid Waste in the Cement Industry. · On behalf of the TÇMB, As a result of the meetings held with the Turkish Environment and Urbanisation Ministry’s Waste Bureau, Çimsa contributed to the exclusion of non-hazardous cement plant waste from the scope of the 40% thermal power limit. · On behalf of the TÇMB, the company attended the meetings of the World Bank Carbon Markets Accession Partnership Project. · By attending the TÇMB Environment and Climate Change meetings, Çimsa contributed to the Ministry’s opinion-making on environmental legislation and regulations. · The company has attended the Solid Waste Workshop held in Konya by the Environment and Urbanisation Ministry on behalf of the TÇMB. · Çimsa ensured that a German specialist gives training on Mechanical-Biological Pre-treatment Facilities That Could be Installed in Municipalities’s Solid Waste Sanitary Landfill Zones to environment and waste managers of the plants that are members of the TÇMB.
TIBA (TURKISH INDUSTRY AND BUSINESS ASSOCIATION)	<ul style="list-style-type: none"> · The company contributed to the preparation of the Attitude Document published by the TIBA on the primary topics in the fight against climate change.
BSDA (TURKISH BUSINESS AND SUSTAINABLE DEVELOPMENT ASSOCIATION)	<ul style="list-style-type: none"> · The Turkish Materials Marketplace accession agreement has been ratified. The TMM is a cloud-based platform that allows inter-industrial materials to be handed over. Çimsa is part of the platform built for the raising of awareness of best practices on waste reduction and for the reuse of waste materials.
TCMIA (TURKISH CONSTRUCTION MATERIALS INDUSTRIALS’ ASSOCIATION)	<ul style="list-style-type: none"> · A presentation has been made by the Environment, Alternative Fuels and Raw Materials Manager of Çimsa during the Anatolian Meetings of the Aegean Regional Industry Chamber in Izmir. · The presentation on Çimsa’s best practices in environmental matters has been made by the company’s Environment, Alternative Fuels and Raw Materials Manager and meetings have been attended.
The 2017 Concrete Congress	<ul style="list-style-type: none"> · During the 2017 Concrete Congress held in Istanbul on 13-14 April, a publication entitled “Evaluation of Important Criteria in the Determination of Pressure Endurance of Cast-in-place Concrete” has been published. In this experimental work, the effects of concrete colon cure applications modeled in laboratory, as well as the effects of the specificities of core samples extracted from hardened concrete on concrete pressure endurance have been analyzed. · During the 2017 Concrete Congress held in Istanbul on 13-14 April, a publication entitled “An Analysis of Performance Classes and of Experimentation Methods for Safety Barriers as Determined by the TS EN 1317-2” has been published.
Sabancı University	<ul style="list-style-type: none"> · A course on Ready-Mixed Concrete has been given to Sabancı University, Engineering and Natural Sciences Faculty, Materials Science and Nano engineering PhD and undergraduate students.
Ready-Mixed Cement Magazine	<ul style="list-style-type: none"> · A communique entitled “An Analysis of Performance Classes and of Experimentation Methods for Safety Barriers as Determined by the TS EN 1317-2” has been published in the 143th volume of the READY-MIXED CEMENT Magazine issued in September-October 2017.
National R&D Publications	<ul style="list-style-type: none"> · Chemical Additives Used in Cement Systems and Their Properties · Mineral Phases in Cement · Performance Effect of Particle Size Distribution in Cement Systems · Effect of Ettringite Generation Conditions on Triple System Performance · Special Concretes · Effects of Co-Usage of Portland Cement and Aluminate Cement · Aging Effect in Cement · Use of Calcium Aluminate Cement in Floor Concretes · Relations Between Cement Performance and Grinding Parameters · Examination of the Prefabricated System Performance Generated with High Early Endurance White Cement · Examination of the Tile Performances Produced with High Early Endurance White Cement
Overseas R&D Publications	<ul style="list-style-type: none"> · Effect of Formulation Parameters on Adhesive Properties of Tile Adhesive Mortars · Effect of Particle Size Distribution on Performance of Cement Systems · Impact of the Conditions of Ettringite Formation on Ternary Systems Performance

PRIORITIZATION ANALYSIS AND MATRIX

The prioritization matrix presented in this report has been shaped as a result of the Çimsa Sustainability Committee’s multidimensional scrutiny of all the company’s 2017 activities and impact areas based on its stakeholders.

Aside from Committee Members, Çimsa’s division managers have also participated to the meeting in which the Sustainability Committee has shaped the matrix.

In the first phase, the stakeholders with whom Çimsa is collaborating have been reviewed and key components of the value creation process have been determined as “primary stakeholders”. Following that stage, topics of priority for each

stakeholder have been determined in accordance with the strategies of the year 2017. The IIRC’s 6 capital components have been taken into consideration while choosing topics of priority. Committee Members have assessed and ranked each topic’s importance for the stakeholder group concerned, just as they did for Çimsa. This double-sided assessment observed on the prioritization matrix graphic represents Çimsa’s focal points.

In the scope of this analysis, inputs such as feedbacks, suggestions, complaints, requests, etc. notified to Çimsa through the interactive communication built with stakeholders through different channels have been taken into consideration in the process of determining the level of importance of priorities.

Çimsa’s goal is to ensure that the prioritization process during the next period is carried out as part of a systematic in which stakeholders will participate directly. The studies on the topic are still ongoing and Çimsa has determined the methods that will allow it to communicate with stakeholders that are not part of the primary group of 2017, and the company is still conducting interactive activities.

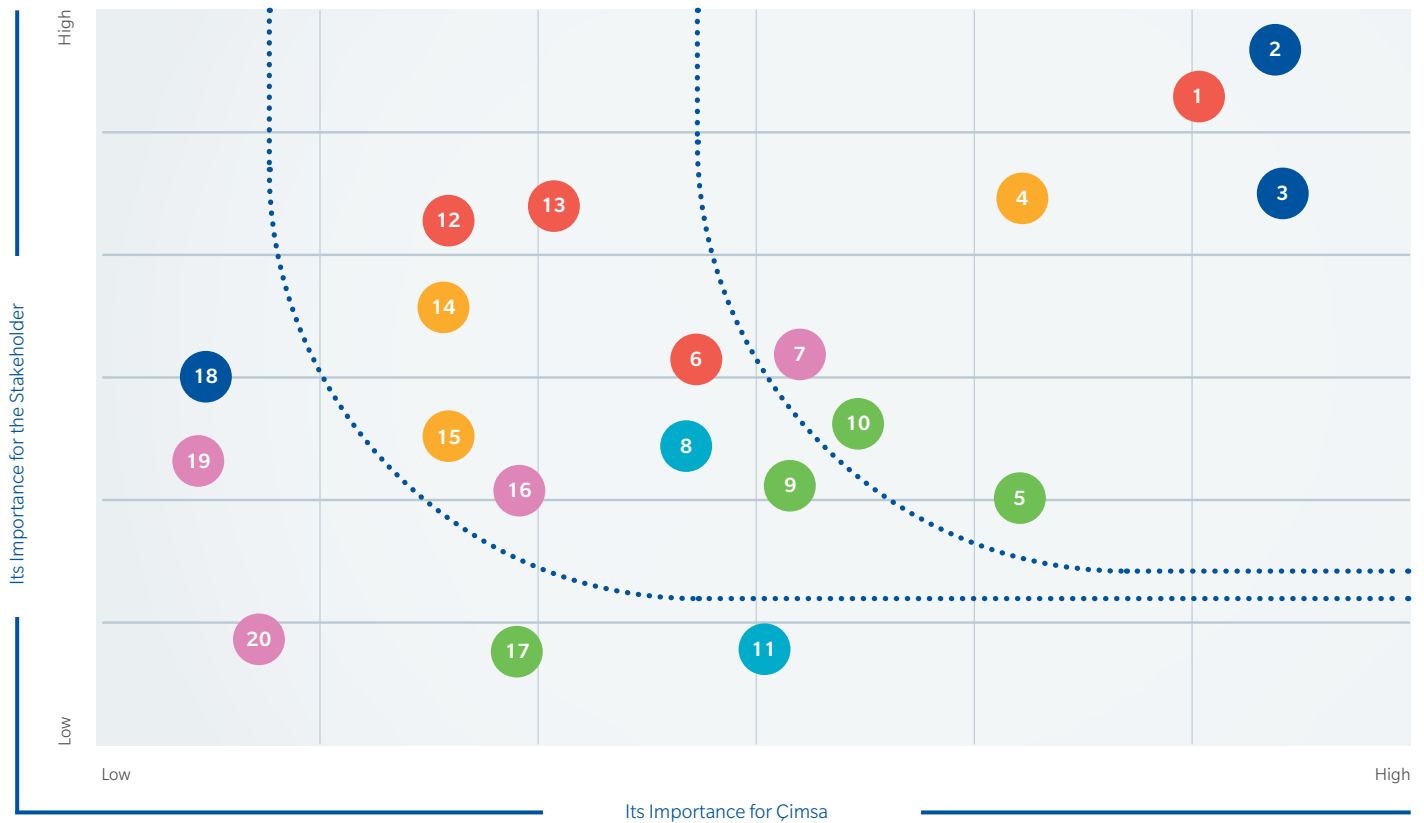
The priority analysis published by Çimsa in this report has been determined in alignment with the company’s strategy, business model and main targets. Çimsa is handling its priorities in a dynamic fashion and may go to modifications with respect to them in accordance with changes occurring in its actives in the next periods.



The IIRC’s 6 capital components have been taken into consideration while choosing topics of priority. Committee Members have assessed and ranked each topic’s importance for the stakeholder group concerned, just as they did for Çimsa.

PRIORITIES

ÇİMSA'S PRIORITIES



FINANCIAL CAPITAL

- 2 Profitability and Dividends
- 3 Company's Economic Performance
- 18 Fair Market Conditions (Price and Payment)



PRODUCED CAPITAL

- 4 Customer Satisfaction
- 14 Product and Service Guarantee Offered to the Customer
- 15 Ethics and Corporate Management



INTELLECTUAL CAPITAL

- 8 Product range and customer expectations
- 11 R&D and Innovation



HUMAN CAPITAL

- 10 Occupational Health and Safety
- 6 Values and Rights Attributed to Employees and Employee Satisfaction
- 12 Equality at Work
- 13 Career and Development Planning



SOCIAL CAPITAL

- 7 Company Profile and Brand Reputation
- 16 Recruitment (direct/indirect)
- 19 Social Impact (SRP-social responsibility projects, etc.) Educational Contribution (internships, awareness-raising, etc.)
- 20 Encouragement of Female Recruitment



NATURAL CAPITAL

- 5 Climate Change
- 9 Environment Management
- 10 Environmental Impact
- 17 Biodiversity and Ecosystem Development Activities

*The priorities in the above matrix are defined by the color codes of the capital groups.

SUSTAINABLE DEVELOPMENT GOALS AND ÇİMSA

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

The 17 Sustainable Development Goals (SDGs) have introduced a much broader sustainability agenda and have gone beyond the Millennium Development Goals.

The goals aim at finding solutions to the main causes of poverty and at ensuring development as a universal necessity for everyone.

The global consensus reached around the SDGs has pointed to an important milestone in orienting our globe to a more inclusive and sustainable growth policy.

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

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



Based on findings from ongoing regular and interactive communication with our stakeholder groups, our Leadership Team identified the above-stated Goals as priorities of Çimsa and added them to our strategic agenda.

As part of the company’s business cycle, activities that are considered to be contributing to the SDGs have been treated in detail in different parts of the present report.





SUSTAINABILITY MANAGEMENT AT ÇİMSA

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

Çimsa Sustainability Management Organization

Management of sustainability in Çimsa is under the responsibility of the Sustainability Committee, regularly gathered throughout the year under the leadership of the CEO.

The Sustainability Committee consists of the following functions;

- Operations and Investments
- Environment, Alternative Fuels and Alternative Raw Materials
- Financial Affairs,
- Human Resources,
- Purchasing and Logistics,
- Sales,
- Ready-Mixed Concrete,
- Strategy and Work Improvement,
- Sustainability and Process Control,
- Corporate Communications

The aim of the Committee is to achieve corporate goals by managing sustainability on the axis of feedbacks from stakeholders, in-house performance and global and local trends. The company's business model, the main targets determined based on the business model and the matrix of priorities are assessed throughout the year by the Sustainability Committee, and improvements are closely monitored. At Çimsa, performance indicators pertaining to sustainability have been included to the tracking system and have become an inseparable part of sustainability management.

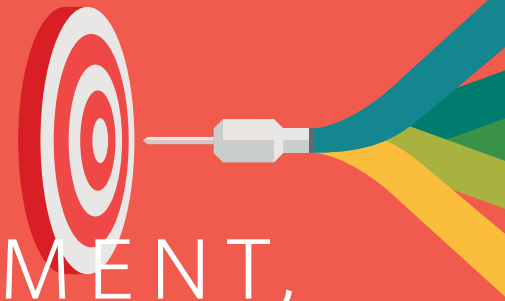


B 5



W O R K P L A C E E N V I R O N M E N T A N D R I S K S

2017 INTEGRATED ANNUAL REPORT



ECONOMIC AND SECTORAL ENVIRONMENT, RISKS AND OPPORTUNITIES

Following the slowdown in 2016, global economy has gained momentum in 2017.

The political developments in the USA, the elections in European countries, the Brexit process, Spain's Independence Referendum in Catalonia have all been main topics to be at the forefront of global economy in 2017. In a climate of low interest rates, investment expenditures increasing on a global scale, improvement in trade volume and in industrial production, and consumer and real sector trust have all played significant roles in the recovery of global economy.

While the momentum in developed countries in 2017 has drawn attentions, it has also been observed that the growth performance of developing countries have been contributing to the revival of global economy. As a result of all these developments, world economy has demonstrated a widespread growth after a long time.

The US Central Bank (Fed) has raised interest rates 3 times in 2017 and has entered an era of balance sheet reduction. The Fed has announced that it aims at raising interest rates 3 times in 2018 as well.

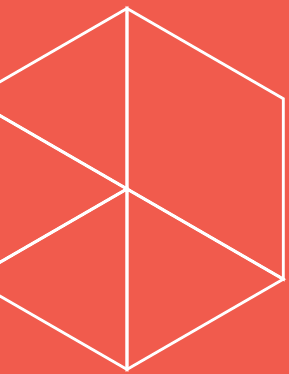
Embarking on relieving monetary policy implementations much later, the European Central Bank (ECB) has taken decisions to reduce its asset purchase programme during meetings held in

January and October 2017. The stable improvement demonstrated by economic activity is expanding the ECB's radius of action.

Price increases in energy have continued throughout 2017, especially in oil. The positive growth performance worldwide has influenced the rise of oil prices to 60 USD/barrel, while other commodity prices have continued to recover.

Expectations for the future

It is predicted that the improvement in economic activity will continue in 2018 and that growth will carry on. On the other hand, we think that the normalization steps taken in the normalization of monetary policies will continue but that this won't put pressure on economic activities.



It is predicted that the improvement in economic activity will **continue in 2018 and that growth** will carry on.



ECONOMIC AND SECTORAL ENVIRONMENT, RISKS AND OPPORTUNITIES

Turkey has demonstrated a powerful growth performance in 2017.

The Turkish economy's growth rate in the first nine months of the year has been of 7.4%. The Credit Guarantee Fund (CGF) application tax reductions made on white appliances and furniture and the 2017 employment package have been among the factors that played a role in the year 2017's macroeconomic performance.

A rise in energy prices has been observed in 2017. The rise in commodity and freight prices has played a significant role in this increase.

On the other hand, the economic recovery gone through in Europe in general has had a positive effect on Turkey's export performance. During the January-November 2017 period, export has increased of 10.4 % and import has increased of 16.9 %.

The rises in energy costs, fluctuations in food prices, revival of internal demand and the rise in the foreign exchange basket have been among the negative factors to influence inflation in a negative way. The Consumer Price Index has been of 11.92 % and closed the year on a double digit.

Outlook of the global cement sector

An economic recovery has been observed in 2017 in China, the biggest producer and consumer of cement worldwide with more than half of global production and consumption on its own. This phenomenon directly influences global production and consumption equilibrium and must be closely monitored.

While the equilibrium in the cement sector has been preserved in 2017, total production has been of around 4.1 billion tons. Construction and infrastructure investments constitute the main consumption areas of the cement sector. These kinds of investments are usually concentrated in developing countries whose populations are quickly increasing.

The global demographic trends, urbanization, the emergence of new super-powers in the production front, climate change, changes in the cement industry business model and the rise in energy costs are considered as mega trends that will influence the global outlook the cement industry.

The world's biggest 5th actor in the cement industry, is Europe's leader in terms of capacity.

Turkey is Europe's leading cement producer. Our country is among the first five in the global league. According to the TÇMB's data, 54 integrated cement plants (of which 51 are members of the TÇMB) and 18 grinding facilities (of which 15 are members of the TÇMB) are operating in Turkey.

The Turkish cement market where cement production and sales are directly correlated to economic growth has a competitive quality and nearly each year new capacities join the industry.

According to the TÇMB's data published in 2016, the total cement production capacity of cement plants in Turkey is of 133 million tons/year, while the clinker production is of 80 million tons/year. Again, based on the TÇMB's findings, cement production in Turkey during the January-November 2017 period has risen of 4% compared to the previous year's and has reached 78 million tons. While the amount of cement sold to the internal market has reached 66 million tons with an increase of 5%, capacity surplus of internal demand has been exported. During the January-November 2017 period, cement export has been of 7 million tons.

¹Source: <http://www.tcma.org.tr/images/file/guncelfabrikaharitaekim2017.jpg>

RISKS, OPPORTUNITIES AND ÇİMSA'S APPROACH

Taking value drivers into consideration, the below-mentioned 6 topics have been determined as risk factors that have or might have an influence on Çimsa's activities at different levels in 2017. In order to minimize the possible impacts of these risk factors on the company's operations, Çimsa has elaborated and implemented elimination policies and action plans for each risk category.

RISKS

Risks	Çimsa's Approach	Relevant value creation factor
<p>Fluctuation in foreign exchange rates</p> <p>Turkey is a net energy importer and is procuring the majority of its energy supply with foreign exchange. The cement industry is a line of work where high levels of energy are needed. The industry is affected by fluctuations resulting from foreign exchange rates in energy and electricity prices, which are the main inputs of the sector. The negative cost impact of fluctuations in foreign exchange rates is also seen in exported machinery, equipment and engineering/maintenance services brought from abroad. In brief, fluctuations in foreign exchange rates affect product cost.</p>	<p>Effective use of monetary market tools</p> <p>A Sabancı Group company, Çimsa has been in close contact with all banks and financial institutions both within and without the Group and has effectively used by-products such as forward and swap. In the scope of this collaboration, trends in foreign exchange rates and in global conditions have been closely monitored. Opportunities presented by monetary markets have been evaluated in a proactive fashion; negative effects generated by fluctuations in foreign exchange have been managed through the use of monetary market tools and the pressure of foreign exchange rate fluctuations on cost basis has been kept at its most low level.</p>	<p>Economic Performance</p>
<p>Fluctuations in commodity prices</p> <p>The recovery seen in global economy and the increase in demand on a global scale have caused a rise of raw material prices. On the other hand, prices of inputs such as fuel, spare parts used in the maintenance of machinery and equipment have a tendency to rise in parallel with market conditions and with the increase in demand. These changes influence product costs and, indirectly, competition conditions.</p>	<p>Continual improvement of the purchasing and logistics competence</p> <p>Thanks to its expert team's high skills in the areas of purchase and logistics, Çimsa is able to neutralize this change that is happening in the market. Apart from suppliers who are active in the global and national markets, developments in prices of inputs are also monitored first handedly and relevant necessary actions are taken. In order to manage changing fuel expenditures, Çimsa cooperates inter-functionally. Aside from managing the purchase prices of the existing fuel, the company makes adaptations so as to integrate other national and international-generated fuels to its processes. The company focuses on the purchase of raw materials, of all equipments and of technical services from a vast pool of suppliers, based on the principal of cost efficiency.</p>	<p>Economic Performance</p>

RISKS, OPPORTUNITIES AND ÇİMSA’S APPROACH

Risks	Çimsa’s Approach	Relevant value creation factor
<p>Fluctuations in interest rates in national and global markets</p> <p>The changes happening in global and national markets’ interest rates result in the emergence of risks in debts assumed by the company for investment, etc. purposes</p>	<p>Management of interest rate risks in a proactive and cost-oriented fashion</p> <p>Çimsa is closely following interest trends nationally and globally and focuses on the management of interest risks in the most adequate conditions.</p> <p>In this framework, the company has closely collaborated with banks and financial institutions both nationally and internationally and made best use of Eximbank loans by using its advantage of being an exporter. Appropriate TRY-cost loans have been created by building foreign banks’ SWAP structures in different foreign exchanges.</p>	<p>Economic Performance</p>
<p>Domestic and foreign competition conditions</p> <p>In Turkey, the total cement production capacity is above domestic market demand. Contrarily, new plant and capacity-increasing investments are continuing. As a consequence of this phenomenon, high competition conditions emerge for producers. On the other hand, the biggest incentive Turkish cement producers have in export markets is to be competing on the same track with global competitors.</p>	<p>Rich product range and flexible marketing approach</p> <p>Çimsa is a global producer in grey and white cement. The diversity of product that the company presents is fortifying its presence in both domestic and foreign markets. Çimsa’s diversified product range presents it with the opportunity of quickly overcoming any possible constriction on a segment.</p>	<p>Economic Performance New Product and New Market Development Through R&D and Innovation</p>
<p>New legislative conditions</p> <p>New environmental and OHS legislations and regulations recently entered into force in Turkey aim for the harmonization of the cement industry to international environmental and labor standards. These new legal requirements necessitate new investments in the areas of environment and OHS for cement producers and new implementations of staff trainings so as to meet new legal regulations.</p>	<p>The objective of developing leading applications in the areas of environment and OHS</p> <p>Çimsa is focused on leading practices in terms of environment and OHS. The company is constantly following legal requirements, implementing relevant investments accordingly and is supporting its human resources with training and development activities that are appropriate to new regulations.</p>	<p>Energy Efficiency Creation of Economic Values Through Environmentally-Profitable Investments Human Development</p>

Risks	Çimsa's Approach	Relevant value creation factor
<p>Occupational Health and Safety (OHS)</p> <p>According to legislation, the cement industry is in the “very dangerous” category. Construction and mechanical installation operations conducted during cement production and relevant investments are high risk operations. On the other hand, because of negative results they may cause to the industry in the long run, health risks are also considered risk components.</p>	<p>The company's business goal is to operate in accordance with international OHS standards</p> <p>In cooperation with its highly expert OHS Team and different professionals partners, Çimsa is conducting projection projects at international standards to be implemented in all of its plants in the long term, and is thus enhancing its OHS culture and awareness. OHS ranks at one of the top places in Çimsa's priorities matrix and is considered the common responsibility of all employees.</p>	<p>Human Development Management of risks and opportunities</p>

OPPORTUNITIES

Defined opportunity	Çimsa's Approach
<p>Development of domestic and foreign demand conditions</p> <p>Recently, the cement industry has played a locomotive role in the growth of Turkish economy. In the same process, governmental authorities have applied incentives to revive the demand in the real estate sector and have supported many projects. In Turkey, many infra and superstructure investments are also continuing simultaneously. This allows a strong and steady progress of the demand in cement. Consequently, the domestic market does demonstrate some disparities regionally but the progress in demand is increasing. On the other side, the demand in special products in foreign markets -particularly in white cement- is in the process of increasing.</p>	<p>Sustainable growth supported by healthy margins</p> <p>Çimsa has a “know-how” and a strong R&D of 45 years in white cement and special products. One of Turkey's leading grey cement producers, Çimsa has a global power and an expertise that consolidates its competitive power in the white cement product group.</p> <p>With its export capacity to global markets, its strong marketing network and an increasing white cement capacity thanks to recently-implemented investments,</p> <ul style="list-style-type: none"> • the company is focused on growing its activity in the domestic market as much as in the foreign markets • and on growing with healthy margins.

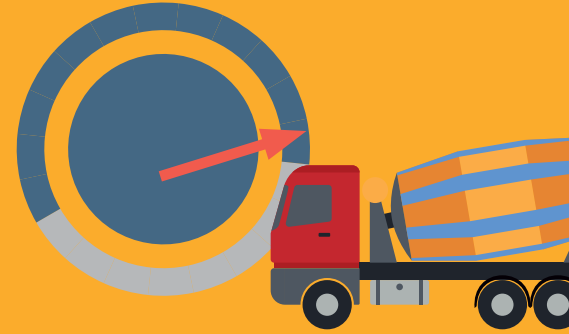


B 6

OUR PERFORMANCE IN 2017

2017 INTEGRATED ANNUAL REPORT

ECONOMIC PERFORMANCE



The investment process that started in the middle of 2014 has been nearly completed towards the end of 2017.

The modernization investment of 170 million USD of the Afyon Plant that has been incorporated to Çimsa in 2012 has been completed at the end of the first quarter of 2017, and the new plant has been activated. As a result of the investment, the clinker capacity of the Afyon Plant has been increased from 500 thousand tons to 1.5 million tons.

Another investment project finalized in 2017 by the company is the preheater investment at the Niğde Plant. Worth 20 million USD, the investment was completed at the end of June and the clinker capacity of the facility has been increased to 850 thousand tons from 425 thousand tons.

At the end of 2017, Çimsa has also finalized its 65 million USD-worth Eskişehir Plant convertible line investment, thus strengthening the company's cement production competence.

Due to the above-stated investment activities, Çimsa's net financial debt level has reached 1,173 billion USD in 2017. During the same period, the net financial debt/EBITDA ratio was of 3.1. In 2017, EBITDA has increased of 9%; but due to increased indebtedness, ongoing investments, and increased amortization costs, Çimsa's net profit has been of 228 million TRY, 16 million TRY lower than the previous year's.

In 2018, Çimsa aims at increasing the cash amount it will create through activated investments and thus, at reducing its indebtedness to the level of previous years.

2017's EBITDA margin has been of 26%.

Çimsa has demonstrated a steady sales performance in 2017.

Used by the company as primary fuel during clinker production, petcoke prices in USD have increased of as much as 41% compared to the previous year. In addition to quickly-rising fuel costs, as a result of the slow increase in cement sale prices, the EBITDA margin has fallen of 4 points compared to the previous year and has been closed at 26% annually.



In 2018, Çimsa aims at increasing the cash amount it will create through activated investments and thus, at reducing its indebtedness to the level of previous years.

ECONOMIC PERFORMANCE

Net working capital policy in Çimsa

Net working capital is crucial for a business for it allows it to expand its business volume, to reduce risks, to avoid financial difficulties in states of emergency and to perform profitably and efficiently. Lack or surplus of business capital may 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 net working capital management. The Credit Risk Committee meeting held at Çimsa on a monthly basis at General Manager level ensures that the Company's trade receivables are tracked separately for each customer and that net working capital is managed with minimum risk.

With the contribution of effective management, in 2017, the rate of Çimsa's receivables which became bad debt recoveries among the company's total trade receivables has kept its low rate and remained below 1%.

The company handles inventory management -another component of working capital- during monthly meetings. Clinker stock levels, which constitute the largest item in the inventory, are scrutinized during clinker balance meetings and the planning of the next year is done.

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

Proactive cost management

One of the most important cost items of the company is energy purchases. The energy supply is handled by the monthly Energy Committee meeting which is attended by the General Manager, and electricity and fuel are supplied at the most suitable prices. Çimsa manages its costs with a proactive approach.

Another important cost factor is raw materials purchases and Çimsa is focused on evaluating the most suitable raw material mines for production.

Çimsa's Treasury Policy

Çimsa takes borrowing and deposits decisions based on cash flow projections of at least 9, at most 12 months. During the preparation of the cash flow projection, Çimsa closely monitors the following assumptions and internalizes them in its decisions:

Related SDG



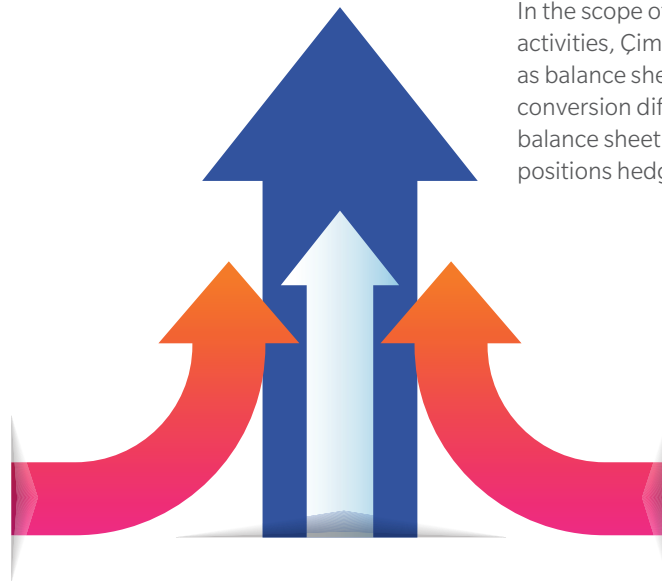
Macroeconomic assumptions,

- Sales and production quantity estimates reviewed at the beginning of each month,
- Sales price and maturity days estimates reviewed at the beginning of each month,
- Purchase price and maturity estimates,
- Investment expenditure assumptions,
- 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 is reviewable throughout the year by taking operating results, cash flow expectations and possible developments in financial markets into consideration.

Treasury transactions carried out at Çimsa are reported during the Board meetings held every 2 months.

In the scope of its treasury management activities, Çimsa also uses tools such as balance sheet and exchange rate conversion differences, cash flow and balance sheet receivables / debts positions hedging tools.



INVESTMENTS

The Eskişehir Plant's modification project has been finalized and the first line of production has been transformed so as to produce both grey and white clinker.

The year of investment at Çimsa - Çimsa has completed a total investment of 106 million USD in 2017.

Determining its investment needs meticulously while reaching its strategic goals, Çimsa has realized a total investment of 106 million USD in 2017. 55.5 million USD of this total expenditure has been spent on sustainability, environment and occupational health and safety projects carried out at Çimsa facilities.

In 2017, which points to the highest level of investment in Çimsa's history;

- Afyon Plant was moved to its modern compound built on a new zone;
- Modification investment in Eskişehir Plant was completed;
- Capacity increase of its Niğde Plant was realized,
- Sustainability, environmental and occupational health and safety investments with different scales in Çimsa facilities were completed.

The investments that have been actualized in the scope of Çimsa's strategic growth plan aim at:

- Further consolidating the company's strong position in the cement sector,
- Rendering economic growth and profitability sustainable through energy efficiency,
- Meeting the changing needs of customers and employees in evolving global and national market conditions,
- Improving its product and service range.

Çimsa's Afyon Plant has been moved to its new compound equipped with modern technology.

With this investment, a new factory facility has been established on the company's existing raw material mine in Halımoru village, 15 km away from Afyon city center. The Afyon Plant started to produce cement at a capacity of 1.5 million tons clinker/year.

The total investment amount in the new Afyon Plant has been of 165 million US Dollars.

The investment for the modification of the Eskişehir Plant has been completed.

The Eskişehir Plant's modification project which had been announced in 2015 has been finalized and the first line of production has been transformed so as to produce both grey and white clinker.

The transformation investment costing 55 million USD includes raw material homogenization facility and transfer lines, raw meal mill, preheater and heat exchanger, calcination, rotary furnace, cooling, clinker silo, cement mill, silos and a packaging facility.

The white cement production phase of the project was completed in 2017. The crane system was abolished simultaneously with this investment; the investment project in the installation of a dedusting equipment for the supply systems of all mills and in the additivation feeding stock hall has been actualized. In addition, the second cement mill has been modernized to make it suitable for producing white cement.

In the first quarter of 2018, Çimsa aims at running its packing facility with new additional silos.

INVESTMENTS

The capacity increase investment for **Çimsa's Niğde Plant** was commissioned on June 18, 2017.

Capacity increase at Niğde Plant

The capacity increase investment for Çimsa's Niğde Plant was commissioned on June 18, 2017. With this investment, the new horizontal raw meal mill and preheating tower have been activated; the projects focusing on the modernization of the cooling tower, the change of the furnace coat, the change of the furnace / meal mill electrofilter into a bag type filter, on clinker cooling and clinker cooling filter capacity building have been completed.

Highlights from investment projects in other plants...

Çimsa also carried out investments in other plants in 2017. In this context, it has carried out the following:

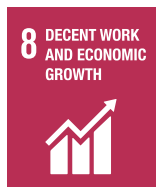
- Mersin Plant, clinker stock hall;
- Clinker cooling capacity increase at the Kayseri Plant, as well as investments in health and safety, environment, maintenance and modernization.



Investment of 1.8 million USD in ready-mixed concrete facilities

Çimsa also pursued its investments in ready-mixed concrete facilities in 2017. In this context, a total investment expenditure of 1.8 million USD has been made for investments in environment and occupational health and safety in the Eskişehir, Kayseri and Afyon ready-mixed concrete facilities.

Related SDG →



R&D AND INNOVATION



Çimsa Cement Research and Application Center

R&D is an indispensable link of the added value production cycle of Çimsa. Throughout the year, the company has run its activities in a way that would serve its “New Product and New Market Development Through R&D” priority.

Having the first and only cement research and application center in Turkey to be certified by the Ministry of Science, Industry & Technology, Çimsa is among the few producers in the world in the fields of special cement and application development.

The main goal of Çimsa Cement Research and Application Center is to develop special products with high profitability and to add these to its portfolio. The Center’s second basic goal is, as part of innovation, to support customers in the production of new solutions when using Çimsa products.

In order to ensure the development of the Çimsa Cement Research and Application Center, the R&D skills of the current personnel have been improved and recruitment of skilled personnel has been increased. On the other hand, Çimsa staff who are positioned in the production function too have been incorporated to R&D projects.

Production operation works have been emphasized and there has been a transition to the project-based work systematic. In 2017, works focused on product value chain have been realized; their interactions with raw material-clinker-cement-process and quality parameters have been scrutinized and shared in the common sharing space for all Çimsa employees to access.

Çimsa Research and Application Center continues to serve the cement and concrete industries by adding advanced analysis methods to Construction Chemicals, Concrete, Grinding, Chemical and Mechanical Laboratories. These advanced analyses include polarized microscope examinations and Fourier Transform Infrared Spectrophotometer (FT-IR) examinations.

If necessary, SEM (electron microscopy) examinations are carried out at Mersin University Central Laboratory.

As of December 2016, R&D article and patent share presentations have been made regularly every month with the active participation of the Çimsa personnel both face-to-face and simultaneously via Skype. The developments in patent and utility model in the sector have been closely followed, and special products and new technological breakthroughs in the cement sector have been examined and shared with internal participants.

Related SDG →



R&D AND INNOVATION

R&D achievements and successes in the year 2017

- The international patent applications for Sulfoaluminate Cement Containing Mayenite Phase and Quick Set Hydraulic Binder discoveries -of which domestic applications were made in 2016- were also made.
- Our Quick Set Hydraulic Binder discovery has been entitled to receive the “Preferred Utility Model Certificate”. With these applications, our goal is to be the sole producers of calcium sulfoaluminate in Turkey and to be its worldwide patented seller.
- Our project entitled “Process and Product Characterization of Calcium Aluminate Cement with Rietveld Analysis” and completed in 2017 has been awarded a sponsorship by TUBITAK.
- The internationally-partnered 42 month-long Horizon 2020 project studies supported by the European Union and started in May 2017 are carried out by our R&D Center.
- Çimsa Formülhane has ranked among the companies that have proven their success in the field of innovation during the 4th InovaLIG programme held in 2017 in cooperation with the Turkey Exporters Assembly and the international management consulting firm IMP3rove Academy, and was awarded the Outstanding Achievement Certificate by placing among the top 10 companies in the “Innovation Organization and Culture” category of the InovaLIG Awards, where 971 companies competed on the basis of innovation competencies.

In addition to new product development studies; our R&D Center runs the following process development studies:

- The usability of alternative raw materials in production,
- Comparison of performance parameters of vertical and ball mill products,
- Development of the fluorite tenor analysis method,
- Determination of combustion efficiency of petcoke



The EU-funded Horizon 2020 Project was launched in 2017.



R&D and Innovation projects of 2017...

In 2017, 6 new projects approved by the Ministry of Science, Industry and Technology were launched and 1 EU-funded Horizon 2020 project was initiated. Short information on these projects have been summarized as follows:

Production Prototype Development of Calcium Aluminate Cement with Dominant Mayenite Phase

A more reactive and faster cement has been developed with the presence of the mayenite phase, one of the main phases of calcium aluminate cements, in the 50% band in the mineral composite. This product allows making formulation in a binary system in building chemical prescriptions.

Performance Study on Self-propagating Alums Created with a Ternary System Design

The best performance mixes were determined by making recipe studies within the framework of customer expectations in the building chemicals products formed with Çimsa products in triple binding systems. In this study, Çimsa products were placed in triple binding systems.

Development of Calcium Aluminate-Based Adhesive in Triple Binding Systems for Big Ceramics

When changing trends of floor tiles were examined, the demand for large size ceramics was observed to rise and it has been noticed that this demand will increase even more in the years to come. Therefore, the need for high-slip resistant, fast-drying and most importantly non-shrinking ceramic adhesive mortar has emerged. Calcium Aluminate Cement has been studied in dominant prescriptions, and high performance adhesive formulations have been prepared for these ceramics.



Study of the Performance of Calcium Sulphoaluminate Cement in Different Applications

The performance study of calcium sulphoaluminate cement, a type of cement whose use is rapidly increasing globally especially in the building chemicals sector, has been conducted in collaboration with METU. Variable performance parameters have been observed in plaster and portland cement substitutes.

Mineralogical Study and Process Relations Study of Clinkers Produced by Çimsa

The performance study of calcium sulphoaluminate cement, a type of cement whose use is rapidly increasing globally especially in the building chemicals sector, has been conducted in collaboration with METU. Variable performance parameters have been observed in plaster and portland cement substitutes.

Analysis of the Effects of High-Strength White Cement on White Cement Applications

A new generation of high early strength white cement -which reaches to the strength of 28 days of normal portland cement in only two days- has been developed, and its effects on the precast and tile sector have been examined. An increase in production speed has been obtained due to the gain from product heat cycle and dosage advantage in the applications made with this type of cement.

Advanced Material and Process Development for the Increase of Geothermal Systems' Underground Thermal Stocking and Cost Efficiency – Horizon 2020 EU Project

100 % EU-funded, the Horizon 2020 Project has started in May 2017. In the framework of joint efforts with our partner Sabancı University in Turkey, the studies for making flexible, environmentally-sensitive, fluid mortar design with high thermal conductivity have initiated in the

R&D AND INNOVATION

wells of geothermal underground heating systems. Çimsa R&D Center will have completed its first Horizon project with the finalization of this project which will last 42 months.

University - Industry Collaboration

METU Civil Engineering Department provides literature and lab assistance to Çimsa within the scope of a consultancy agreement for the works on special products. Furthermore, requests from universities across the country are answered, and an exchange of information takes place. In addition, Çimsa gives free raw material support for master thesis studies that are carried out with its special products.

Since 2016, the Cement Technologies and Applications Course at Sabancı University has been taught by the company's Research Center's staff and innovations and applications in the cement industry are transferred to the audience.

Each year, a seminar is given with the participation of Çimsa's R&D Team and academics. Our 3rd Construction Chemicals Seminar was held in September 2017, and the innovations in the construction chemicals sector and the results of the R&D Center studies were shared with our customers by respectable Turkish and foreign academics.

The Name of the Formula

In 2017, Çimsa pursued its studies in the scope of the campaign program "The Name of the Formula" which started in 2016 and constituted an example for the sector.

In the framework of "The Name of the Formula" which focuses on the needs of each sector and which presents a new structure by rendering its segment-made recipes more flexible, a visual language that reflects Çimsa's innovative approach and which is a trail-blazer in the industry has been created. 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 "The Name of the Formula" concept, Çimsa regroups white cement and special products under three main 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 of the same family is REFRO, which was specifically developed for 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.

With "The Name of the Formula", a first in the sector, a visual language reflecting Çimsa's innovative approach was created.





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

- Çimsa Super White
- Çimsa Aluminates
- Çimsa White Concrete

New products offering tailor-made solutions have been developed under these product families.



R&D AND INNOVATION



Çimsa builds its product responsibility understanding on producing highly reliable and excellent products and on providing these to its customers on time.

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 that is used in mortar applications. The innovative cement product portfolio of Çimsa also includes the brands 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 offer much easier solutions from the production phase of concrete to its molding, application and post-maintenance services; and offers more aesthetical and wholistic solutions from the floor to the exterior facade, thanks to various options. For more information please visit the website formulunadi.com.

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 pursues its activities with a management approach that is built on properly and promptly meeting changing and evolving expectations and needs in markets where the company's products are presented.

Çimsa is a producer that 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, craftsmen activities, pre and post-sales technical assistance, Building Chemicals Seminar, technical bulletins, shared R&D activities, customer support unit and social activities.

Product responsibility of Çimsa

In parallel with its sustainability approach and quality policy, Çimsa builds its product responsibility understanding on producing highly reliable and excellent products in line with national and international standards and on providing these to its customers on time.

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

Çimsa conducts product information activities and trainings aimed for 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 these are shared with each customer.

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

During the reporting period, no illegality with respect to the labeling of Çimsa products was encountered; there has been no noncompliance issues with regulations as regards the marketing conditions of products, and there were neither penalty nor sanctions enforced.

Confidentiality of customer information is another responsibility of Çimsa towards its customers. No complaints were received regarding privacy violation of customer information during the reporting period.

Intellectual Property Rights

In 2017, the Preferred Utility Model Certificate was received for the project Quick Set Hydraulic Binder.

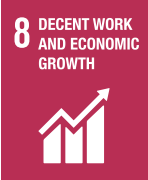
2017 customer technical assistance activities

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 as well and to foster customer loyalty.

Related SDG →



R&D AND INNOVATION



Related SDG →

3rd Construction Chemicals Seminar was held under the leadership of Çimsa Formülhane at Sakıp Sabancı Museum on September 21.



In 2017;

- More than 110 customer visits were made in 7 regions in Turkey (building chemicals, refractor and precast segments).
- Technical assistance and market development activities were carried out at the global scale in the USA, Italy, Dubai, Germany, Austria, France, Russia and Brazil.
- 100% problem-solving and reporting was achieved in customer complaints regarding quality; a system of regular meetings with the Quality and Production Departments has been introduced.
- Customer trials and reporting of the new segment-oriented white cements have been carried out.

- Support activities were conducted for the technical documentation and application brochures of newly developed products.
- 18 Customer-Joint Projects were conducted.
- More than 520 customers received remote technical assistance.

Çimsa 3rd Building Chemicals Seminar

3rd Construction Chemicals Seminar was held under the leadership of Çimsa Formülhane at Sakıp Sabancı Museum on September 21. During the seminar which attracted a high level of participation, information on technical developments and innovative applications in construction chemicals products were shared by industry-leading academics.

CORPORATE DEVELOPMENT AND HUMAN RESOURCES

In 2017, Çimsa provided in **total 58,347 people x hour** of trainings to its employees.

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”.

Çimsa conducts its human resources activities around its vision of instilling a culture of high performance.

Çimsa’s goal in terms of human resources is to ensure the continuation of a fair and egalitarian workplace where 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 environment and establishing organizational and human resources infrastructures which support the company’s strategies lie at the core of Çimsa’s human resources practices.

Training and development programs which increase human resources competencies

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; tailor-made development programs are designed and development programs targeting high potential employees and 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 from professional knowledge development.

With Management Support, 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, on the preparation of rotation opportunities and on 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 made possible through improvement, Çimsa continued its online trainings for all white collar employees in 2017 with the motto “More Improvement, Education for Improvement”.

In 2017, training was provided to:

- White collar employees 19,342 people x hour
- Blue collar employees 39,005 people x hour
- In total 58,347 people x hour

While the total training offered in the area of Occupational Health and safety was of 42,658 people x hour, OHS training per person was of 37 hours.

By thoroughly designing employee need-oriented development programs that will support future organization, Çimsa collaborates with the best domestic and international companies for the preparation of these.

Related SDG →



CORPORATE DEVELOPMENT AND HUMAN RESOURCES

Çimsa Management Way Development Program

With the “Çimsa Management Way Development Program” launched in 2014, employees working at Çimsa as mid-level managers are targeted to gain awareness about their strengths, and to improve their behavioral, managerial and communication skills and leadership qualities.

The 6-month-long program is constituted of six different trainings which are linked to each other and which comprehend inventory applications and personal feedback activities aimed at defining participants’ strengths. At Çimsa, 99 people have completed the Çimsa Management Way training.

Çimsa Career Kitchen

Developed in cooperation with Sabancı University Manager Development Unit, Çimsa Career Kitchen is constituted of trainings on human management processes, motivation and engagement, deeper dimension in communication, professional image, competitive perspective, strategic thinking model, business law processes and financial value, and have been given to 1,261 people x hour in 2017.

Performance Coaching

The “Performance Coaching” activity aims at providing employees with effective coaching skills for enabling the effective and efficient management of the human factor along with 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 that includes the “Training and Coach’s Journal” application has been realized in the February - July 2017 period and given to 122 people x hour.

New Çimsa Employee Development Program

Aiming at creating employment opportunities for young college graduates, Çimsa carries out Fresh Graduate Recruitment Projects. Aiming at ensuring high and sustainable workforce efficiency, specialization opportunities are presented to fresh graduates who just started working for Çimsa, in a way that will make them be of optimum service in their chosen area.

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 new starters in the company so that they can quickly adapt to the company culture and to their new jobs, access the information they need in an accurate and effective way and get to know the company organization well.

Another aspect of the Pole Star program is that it makes it possible for the volunteers among company employees to provide support in all areas to new hires during their orientation period.

The Process Improvement Engineering Development Program

After new graduates are recruited at Çimsa, 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 Engineering Development Program” to learn about the totality of the cement process.



With the “**Çimsa Management Way Development Program**”, Çimsa mid-level managers are targeted to gain awareness about their strengths, and to improve their behavioral, managerial and communication skills and leadership qualities.



CORPORATE DEVELOPMENT AND HUMAN RESOURCES



Global Apprenticeship Network (GAN)

Çimsa became a member of the Global Apprenticeship Network (GAN) in 2015.

Founded in 2013, the GAN is an initiative supported by the International Labor Organization (ILO) The GAN encourages participation of youth in the business world to increase their skills and their recruitment, especially through its on-the-job training opportunities.

Çimsa applies traineeship programs that appear among the GAN undertakings. While implementing internship programs, Çimsa aims at training qualified workforce for the company, supporting local employment, providing sectorial professional experience and work experience, and increasing employment rate in this field.

In 2017, 23 people participated to the İŞKUR’s (Turkish Employment Institute) On-the-job Training Program targeting the Institute’s trainees and conducted in collaboration with the İŞKUR.

In the scope of this program, job opportunities are offered to candidates who have had professional training, who are certified and competent but who have had no work experience so far.

19 of 23 candidates who participated in the On-the-Job Training program were hired in 2017.

The Blue Collar Basic Competency Project

In 2015 “The Blue Collar Basic Competency” project was initiated in order to increase field efficiency and competencies of blue collar employees. In 2017, trainings undertaken as part of the Project were of 5,145 x hour.

Personal Performance Management System

White collar employees are evaluated in the framework of the individual performance management system at Çimsa.

In 2017, all white and blue collar Çimsa employees have been assessed based on their performance and have been given feedback.

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 as well.

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 2017 end reporting period and were given feedback.

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

The protection and glorification of human rights in the work place are parts of Çimsa’s business culture.

Considering the preservation and dignification of human rights in the work environment as part of its business culture, Çimsa resolutely endorses the provisions of the UN Global Impact which it ratified, the relevant ILO declarations and the Universal Declaration of Human Rights.

In human resources processes and applications at Çimsa, employee performance is measured in equal conditions and is evaluated fairly with an objective and systematic approach. 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 Rules 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, while suppliers are audited through 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.

Çimsa respects the rights of collective labor agreement and of association.

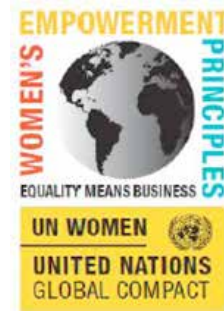
Çimsa attaches importance to the creation and efficient pursuit of a healthy professional environment between the management and employees. In this respect, Çimsa ensures that its employees can use their collective labor agreement and freedom of association rights.

All 671 blue collar Çimsa employees are within the scope of collective agreement as of the end of 2017.

Syndication membership rate among all employees is of 58%. Relationships based on trust and dialogue are established with the syndicates in order to maintain peace at work, and syndical issues are managed effectively without disputes.

CORPORATE DEVELOPMENT AND HUMAN RESOURCES

Çimsa became one of the 53 Turkish companies to sign the **WEPs** among more than 1,100 companies joining worldwide.



“Equality at work”

Applying 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 similar positions at the same levels were structured based on the Equality At Work principle.

Personal Performance Management assessments are made in equal conditions for male and female employees and are reflected at equal levels in business results.

Çimsa encourages the employment of women in business and supports female participation in management.

10 female employees were hired in the company in 2017. The ratio of female employees among Çimsa Executive Board members is of 33%.

Çimsa believes that its suppliers and subcontractors should also increase the recruitment of women in their operations. In this context, Equality At Work commitments and relevant provisions

have also been included in the supplier and subcontractor service purchase agreements since 2014.

Women Empowerment Principles- Being a signatory of the WEP is a source of pride for Çimsa.

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, our company signed the Women’s Empowerment Principles (WEPs) published by the UN Global Compact, and undertook to develop and implement company policies which will improve social gender equality. These principles offer rules and suggestions which will act as a guidance on the empowerment of women in the workplace, in markets and in society.

Çimsa became one of the 53 Turkish companies to sign the WEPs among more than 1,100 companies joining worldwide. Despite operating in a sector with few female employees and where there are

limits to the recruitment of women, with its supportive practices, Çimsa sets an example for industrial institutions and other sectors where the majority of employees are men. Çimsa carries out activities that contribute to the increase of awareness on social gender equality in its industry.

According to the findings of the Ministry of Labor and Social Security, Labor Inspection Board, Occupational Health and Safety Inspection Project at Cement Plants, Çimsa employs more female employees than the sector average.

Efficient Communication Across Organization

Employee Representative meetings are held regularly at Çimsa facilities 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.



Regularly throughout the year, Human Resources and plant employees come together in face-to-face meetings.

In 2017, meetings targeting Team Leaders have been organized with the concept “Make a Difference With Your Team”. A communication-oriented program has been organized for Blue Collar employees in the framework of the “Life Has No Eraser” Program.

Çimsa transitioned to the Field Human Resources model in its plants. With the Field Human Resources model, regular meetings are held every week with employees in their working environments and their questions are answered. Meanwhile, this model is also used as a tool to get together with employees during organizations like meetings, trainings and seminars.

“Pigeon Post”, “Çimsa Family Magazine”, “Çimsapoint” intranet pages and communication boards are platforms used to inform employees on developments about the company. Additionally, weekly HR Share bulletins are published in the Company.

The “Flexible Benefits” Program, which was put into effect in 2015 and which aims at addressing the changing needs of employees and to give them freedom of selection, was also continued in 2017.

The Idea Fabric

With its employees’ suggestions Çimsa focuses on development.

The “Idea Works” suggestions system is a system through which Çimsa employees are able to convey the creative ideas and thoughts they might have on the company’s activities and which supports their participation in development activities.

Çimsa Suggestions System’s brand name the “Idea Works” is the system through which all employees innovative, development and improvement-oriented suggestions on such topics as OHS, customer service, quality and efficiency are collected, evaluated, rewarded and actualized.

The ideas that are accepted and implemented are scored based on the criteria of innovation/originality, expansion, contribution and economic return.

Çimsa’s goal is to review the Idea Works process in light of employee feedbacks and to ensure its continued dynamism. To that end, periodical “Idea Campaign” applications are also carried out in order to gather employees thoughts on certain subjects.

CORPORATE DEVELOPMENT AND HUMAN RESOURCES

Learning Organization and 2017 achievements

“Learning Organization Application Teams” programs at Çimsa aim to bring permanent solutions to problems with a wholistic perspective while strengthening team collaboration and team spirit.

Teams consisting of employees from different levels of work collaborate on projects that will improve business processes during Learning Organization activities. The teams carry out their activities along the principles described in the Five Disciplines of the Learning Organization philosophy.

The 2017 activities of the Learning Organization Teams are summarized below:

Afyon “GÜNEŞ” It has determined the vision of tracking and monitoring employees’ behaviors that do not comply with OHS rules for 2 months and the reduction of these behaviors of 50% until the end of May 2017, all the while ensuring its sustainability.

During activities, dimensions open for improvement have been determined and improved of 85% and employees’ behavior-oriented OHS awareness has been increased.

Ankara “G3 SENDE” It has reached its goals by ensuring the 100% application of the 3S method in work spaces and the sustainable annihilation of 3S-originated

risks. The Team divided work spaces into 26 zones. All zones have been revived and cleaned by applying the 3S systematic, and zone representatives have been determined. The latter ones have reached goals by ensuring continuity through planned audits.

Mersin “SAĞLAM ADIMLAR” Risk analyses and risk degree determinations have been conducted at the Mersin White Packing Facility. Initially aiming at reducing at least 80% of the risks to “low” level and at increasing risk and near-miss notifications of at least 50%, the Team has reduced 90% of these risks to low level and has overshoot targets by increasing risk and near-miss notifications 3.5 times.

Kayseri “3S PİRİ” The establishment and application of the 3S system have been targeted at the Çimsa Kayseri Plant and at the Başakşehir Ready-Mixed Concrete Facility. Reaching its goals by 100%, our Team has prevented waste and time loss through the operations it led. The 3S Handbook has also been created.

Niğde “REÇETE” By raising awareness on healthy working and living, our Team focused on decreasing the number of sick off days and conducted awareness-raising activities on the muscular, ENT, respiratory, dermatological, ophthalmological systems’ diseases and has succeeded on reducing the number of off days due to sickness.

Eskişehir “ŞANSA BIRAKMA” The Team aimed at assessing the risk degrees of material transportation systems at the Eskişehir Plant and the İnegöl Ready-Mixed Concrete Plant, and at reducing high-degree risks by 50%. The Team has surpassed its percentage goal by reducing them of 61%.

Ready-Mixed Concrete “MER-ADA” The Mer-Ada Team has scrutinized work accidents occurring in Çimsa’s Ready-Mixed Concrete Group in three categories and has determined risks that lead to construction site and traffic accidents. The Team has reached its goals thanks to the awareness it raised

Eskişehir Continuous Team “(KIRICI)” The organization has determined its vision as integrating its application tools to the Kırıcı Team Management and thus creating a continuous team, allowing it to reach KPI targets. It has worked with Learning Organization application tools and has increased the 3rd refractor average performance of 11%.

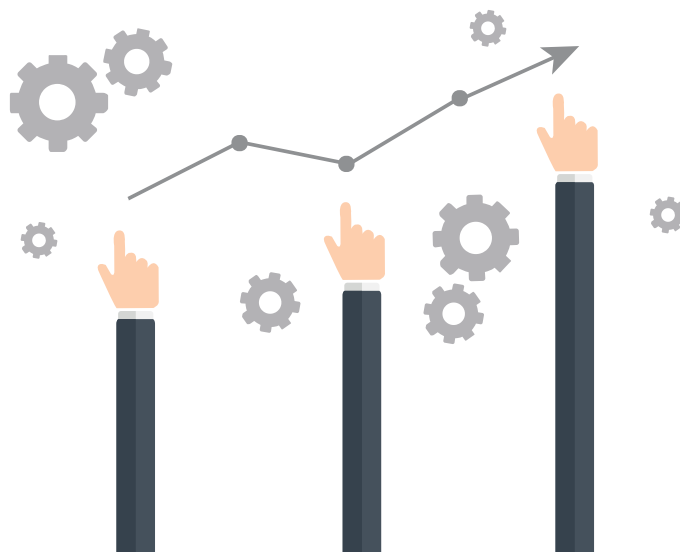
Corporate Development and Human Resources

Total Workforce (person)	2015			2016			2017		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Direct placement	55	1,037	1,092	58	1,071	1,129	58	1,096	1,154
Contractor Company Employee	50	1,142	1,192	60	1,239	1,299	75	1,442	1,517
Total	105	2,179	2,284	118	2,310	2,428	133	2,538	2,671

Total Workforce as per Category (person)	2015			2016			2017		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Blue Collar	-	624	624	-	644	644	-	671	671
White Collar	55	413	468	58	427	485	58	425	483
Total	55	1,037	1,092	58	1,071	1,129	58	1,096	1,154

Total Workforce by Education (person)	2015	2016	2017
Primary School	90	83	79
High School	537	558	573
University Degree and Above	465	488	502

Total Workforce by Age Group (person)	2015	2016	2017
18-25	46	63	72
26-35	472	480	472
36-45	428	447	468
46	146	139	142



OCCUPATIONAL HEALTH AND SAFETY

It is the Company’s invariable objective to keep under control anticipated risks in terms of occupational health and safety and ensure that Çimsa employees return to their homes every day “without being exposed to any accidents”.

Cement production is classified as “very dangerous”, and ready-mixed concrete operations as “dangerous”. Çimsa, closely follows the legal regulations set by international standards as well as the legal regulations on Occupational Health and Safety No. 6331 issued by the Turkish Ministry of Labor and Social Security. In this perspective, the company carries forward the safety of work areas with each passing day and moves towards its goal of “Zero Accident”.

Training and application studies that raise awareness on the work safety of all units within the company are regularly carried out.

In the area of OHS, Çimsa implements policies to ensure that:

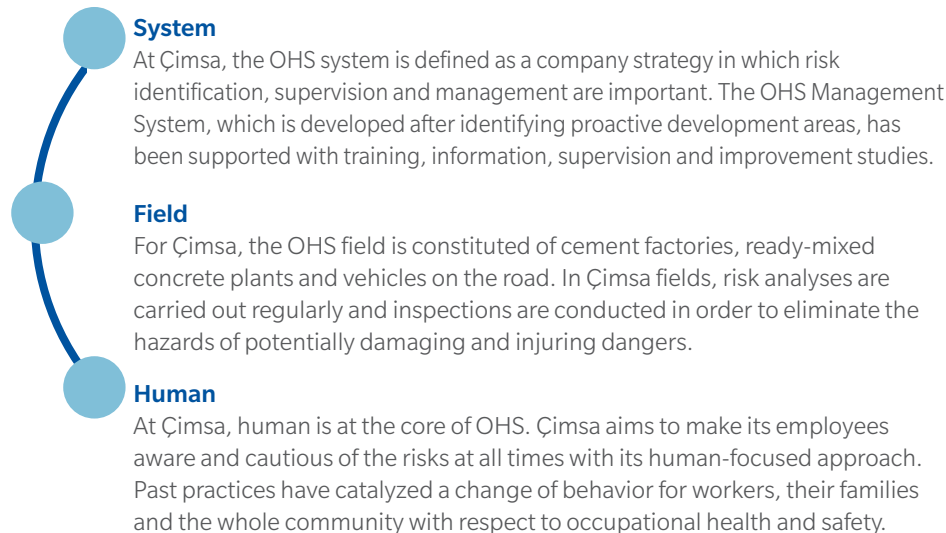
- the main employer and subcontractor employees are informed,
- amendments in legislation are shared with the organization through effective communication,
- WSH metrics are always included in the company and employee goals,
- audit, near-miss reporting, nonconformity amount values are accepted as key performance indicators,
- WSH is internalized and that it becomes part of the corporate culture with regular reporting practices.

.....

Çimsa’s goal is to make sure that its employees head home safely after work every day “without being the victims of an accident”.

.....

At Çimsa, OHS has three dimensions: system, field and human.





OHS Structure at Çimsa

At Çimsa, the operational responsibility of OHS management is assumed by the senior management. In this framework, all activities aimed at increasing awareness on Occupational Health and Safety, all decisions taken and operational responsibility for the management of Occupational Health and Safety are represented at the highest management level in the company.

OHSC Board Meetings are held on a monthly basis in line with the Job Security Training Program.

OHSAS 18001: It is implemented in all of Çimsa’s facilities.

All Çimsa plants and ready-mixed concrete facilities are OHSAS 18001 Occupational Health and Safety Management System certified.

OHSAS 18001: This system is constantly supported through training, information, audit and improvement activities, while the structure of OHS committees; the assignment of employee representatives, OHS specialists and on-site doctors; of internal inspections, risk analyses, fire drills and of 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. 97 members serve at 6 Çimsa OHS committees, of which 10 are employee representatives.

The collective labor agreements Çimsa signs with syndicates do also include OHS topics. Precautionary measures, reporting of illnesses and injuries and work safety rules to be followed are regulated in the scope of collective agreements.

Pursuing Training to Increase OHS Awareness

Çimsa supports its employees through the projects, applications and continued training programs it develops to raise awareness on OHS.

In order to increase the knowledge and awareness of its employees and subcontractor employees on Occupational Health and Safety, Çimsa gave 31,853 people x hour of OHS trainings, also thanks to the support it received through the Occupational Health and Safety Project it launched in 2017. At Çimsa, 28 hours of training per person were given in 2017.

With “The Golden Helmet Project”, employees’ sensitivities are increased as regards their own safety as well as their colleagues’.

Golden Helmet Project

The Golden Helmet that encompasses years 2016 and 2017 aims at reviewing OHS processes and at reducing accident frequency and severity rates by including OHS to the planning processes and by increasing the awareness of all employees. With this project, employees’ sensitivities are increased for their safety as well as for their colleagues’.



OCCUPATIONAL HEALTH AND SAFETY

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

Çimsa’s vision is to reach the “Zero Work Accident”. The X+5 year target which was set in 2017, is to reduce the work accident frequency rate below 3 and the accident severity rate below 0.15.

Systematic field audits are deemed to be one of the most important tools in reaching this goal. On the other hand, respecting OHS regulations, notifying all

kinds of work accidents, risky and near-miss situations have been determined as the primary duties of all employees. Furthermore, annual internal audits, external audits of certification institutions, third party audits, Sabancı Holding external insurance audits and OHS performance are constantly monitored.

Thanks to the systematic activities Çimsa conducts in the scope of OHS, it has decreased accident frequency rates in all of its operation facilities.

Between 1 January - 31 December 2017, 38 work accidents with lost day have occurred and 40 employees have been reported as victims. As a result of accident analyses carried out at Çimsa facilities, accidents during cement production processes have been determined to happen the most due to:

- inadequate risk analysis,
- lack of environmental organization / cleanliness,
- non-conformity to work regulations and lack of adequate regulations,
- employment of unauthorized / inexperienced personnel.

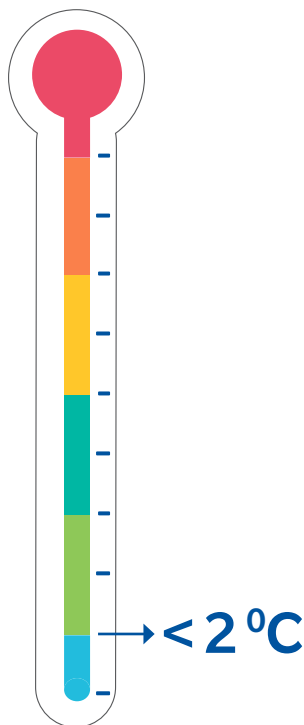
After these factors were determined, the necessary improvements have been made.



	Cement Plants	Ready-Mixed Concrete Facilities
Injury Rate		
Çimsa Employees	1.14	0.86
Female	0.00	0.00
Male	1.19	0.89
Contractor Employees	0.85	1.51
Occupational Illness Rate		
Çimsa Employees	0.00	0.00
Female	0.00	0.00
Male	0.00	0.00
Contractor Employees	0.00	0.00
Lost Day Rate		
Çimsa Employees	14.86	58.74
Female	0.00	
Male	15.49	60.76
Contractor Employees	20.65	20.89
Absenteeism Rate		
Çimsa Employees	272.57	203.42
Female	299.50	0.00
Male	180.13	210.44
Contractor Employees	74.46	0.00
Mortal Injury		
Çimsa Employees	0.00	0.00
Female	0.00	0.00
Male	0.00	0.00
Contractor Employees	0.00	0.00

CLIMATE AND ENERGY

Energy sources play an important role in the total greenhouse gas emission of the cement industry.



Contribution to Turkish economy through energy efficiency projects

Making a direct contribution to Turkish economy thanks to its cement production, Çimsa enhances this contribution with the energy policies it implements, its recycling of energy with alternative fuels, and thermal electricity production operations from waste gas. The amount of electrical and thermic energy saved as a result of efficiency activities run at Çimsa constitute a gain for the country's economy which is dependent on foreign resources in terms of energy.

Çimsa works in collaboration with its stakeholders and leads its industry as regards harmonization with laws, regulations, decrees and national cement commitments on emissions and greenhouse gas. In this scope, the CSI's (Cement Sustainability Initiative) technical information sources are used as supports, and common works carried out with other companies which are Members of the TÇMB are pursued.

Furthermore, the company contributed to the preparation of the Attitude Document published by the TÜSİAD on the Primary Topics in the Fight Against Climate Change.

Energy is the most critical input of the cement industry.

Fossil fuels and electricity usage constitute the two most significant items of the cement sector's production cost. Energy sources play also an important role in the total greenhouse gas emission of the cement industry.

Çimsa places great emphasis on the effective management of energy in its plants and facilities. Electrical and thermal energy consumption points are constantly monitored and optimized by specialists during production processes at Çimsa. 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.

The main targets of Çimsa's energy management are:

- to increase the amount of electricity produced from waste gas heat,
- to ensure the increase of efficiency by redesigning business processes and creating projects targeted for more efficient equipment,
- to increase alternative fuel usage rates as much as possible and thus decrease fossil fuel consumption and greenhouse gas emissions.

Related SDG →



CLIMATE AND ENERGY

Alternative Fuel Consumption

While in 2017, the rate of alternative fuel usage in Çimsa’s cement plants has been of 8,7%, fuel derived from 75,264 tons of waste have been burnt together and the usage rate has been increased to 36.8%.

Alternative Fuel Consumption

- supports the waste management processes of other industries,
- and contributes to Cyclical Economic Principles and to the maximum reduction of the environmental impacts of wastes by providing energy recycling.

The total energy amount consumed in Çimsa cement plants has been of 19,691 TJ as of 2017.

Of this consumption;

- 16,517 TJ has been supplied by conventional fuel energy (grey+white),
- 1,057 TJ has been supplied by alternative fuel (grey) and
- 2,117 TJ has been supplied by electrical energy (grey+white)

In order to increase the use of alternative fuels in cement plants, Çimsa’s Environment, Alternative Fuel and Alternative Raw Material Management is willing to discuss with Municipalities within the Turkish Ministry for Environment and Urbanization on the investments and installations of Biological Preprocessing facilities on landfill areas so as to produce fuel from household waste (RDFs-Refuse Derived Fuels), a common practice in many European countries. In case discussions wield positive results,

Çimsa plans to make the necessary investments for feeding systems in its cement plants so as to burn the produced household RDFs together.

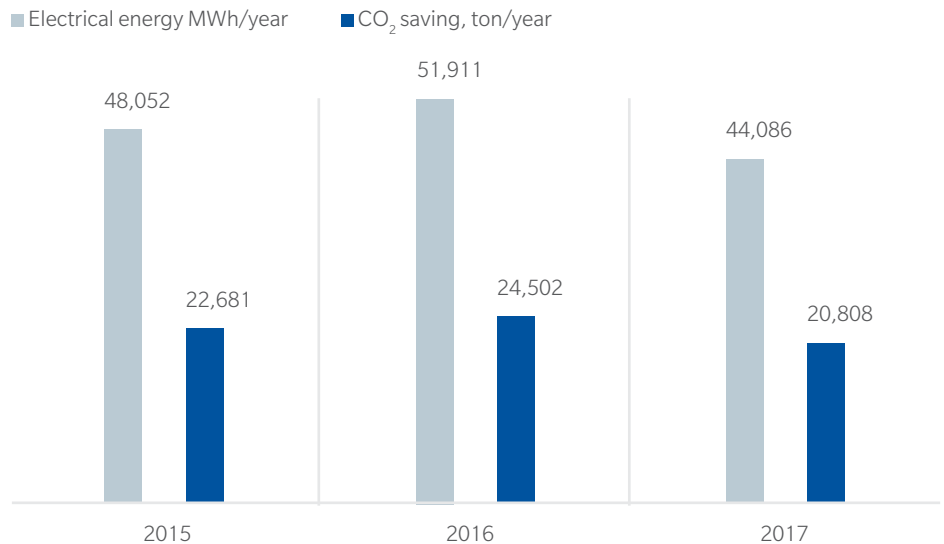
Çimsa presided over the TÇMB’s Symposium on Business Models on the Use of Municipal Solid Wastes in the Cement Sector organized in January 2017 and ensured that all municipalities in Turkey were notified.

In case the projects in question are implemented, not only will this contribute to both the environment and society, but there will also be full harmonization with Sustainability and Cyclical Economy Principles thanks to a great reduction of CO₂.

Production of Electricity From Waste Gas Heat

20,808 tons of CO₂ have been saved with a production of 44,086 MWh of electricity from waste gas heat at the Mersin Plant.

Last 3 Years’ Data of the Mersin Plant’s Waste Gas Heat Facility



Amount of Fuel Derived from the Waste Used at the Eskişehir Plant

	2015	2016	2017
AMOUNT OF RDF (tons)	46,062	58,503	75,264

While in 2017, **the rate of alternative fuel usage in Çimsa's** cement plants has been of 8.7%, the usage rate in the 2nd rotary kiln of the Eskişehir Plant increased to 36.8%.

Alternative Raw Material Consumption

In the cement industry, the reduction of the use of natural resources through the use of alternative raw materials is crucial in terms of harmonization to sustainable resources usage and cyclical economy principles.

The alternative raw materials and alternative additives used at Çimsa cement plants are constituted of various materials such as ceramic waste, tile fragments, casting sand or by-products collected from other industries. Alternative raw material usage rate is calculated by using the methodology of the World Business Council for Sustainable Development (WBCSD) Cement Sustainability Initiative (CSI).

Çimsa protects natural resources and contributes to the recovery of energy and material disposals which are important environmental and social problems through its activities on replacing non-recyclable primary fossil fuels and natural raw materials with their alternatives.

Greenhouse Gas Emissions

Çimsa continues to work on the reduction of CO₂, one of the emissions of greenhouse gases that affect global climate change.

Çimsa uses the methodology developed by the World Business Council for Sustainable Development (WBCSD),

Cement Sustainability Initiative (CSI) in its calculations of greenhouse gas emissions produced in processes in its cement plants.

A member of the CSI, Çimsa has its greenhouse gas emissions calculations periodically verified by an independent audit company due to its commitments, and sends the result reports to the CSI. Additionally, CO₂ and energy parameter values calculated every year are conveyed to the CSI's GNR database and thus, Çimsa is able to compare itself with other countries which send data to the GNR as well, and to assess its own performance.

Çimsa prepares Climate Change Reports that also include its greenhouse gas strategy, its risk and opportunity analyses,



The verifications of Çimsa’s climate change reporting has been conducted by an independent audit firm.

its performance and results in accordance with the legal regulations, and submits them online to the CDP each year.

Each year, both the 2017 CDP Climate Change Greenhouse Gas Report and the CO₂ calculations and relevant data presented with it are verified by the independent audit company EY.

Due to the investments started in 2017, Çimsa has recorded a decrease in its clinker and cement production rates compared to 2016, and the company’s CO₂ emissions have subsequently also demonstrated a decrease in volume.

As can be seen on the table on the side, while the company’s rate of clinker production-based CO₂ emission in kg/t cement like is on the rise, its white cement rate of kg CO₂/t cement like CO₂ has decreased.

Rotary Kiln Emissions

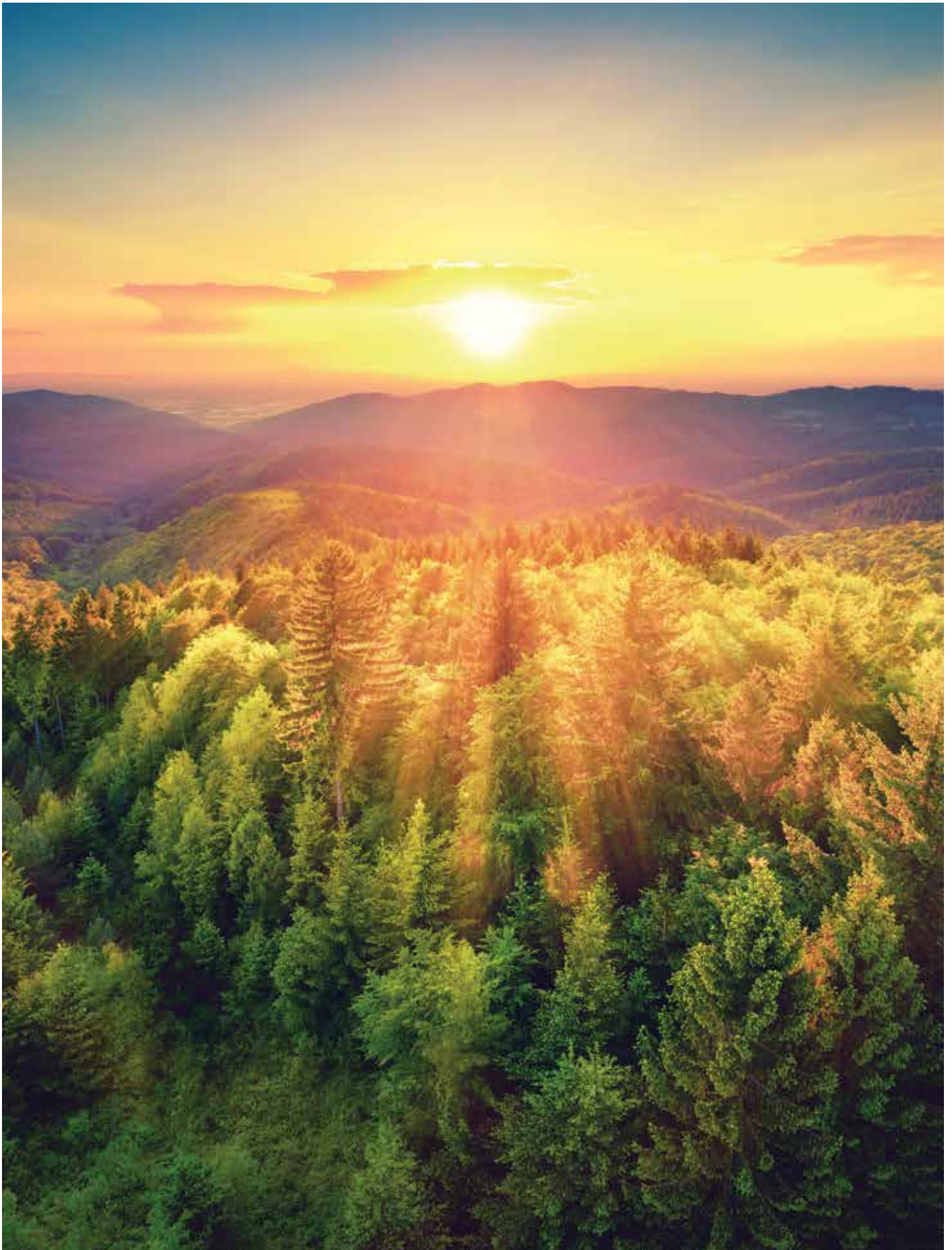
Apart from CO₂ emissions, as can be seen on the table given below, there are also other emissions generated from cement production processes, those being dust and gas, the two main emission parameters in rotary furnaces.

The company’s 2017 rotary kiln emission values have remained below the threshold values specified in the regulation, and thus complied with legislation.

Greenhouse Gas Emissions		2016	2017*
Scope 1 Gross Greenhouse Gas Emission Amount (grey+white)	m ton CO ₂	4.5	4.1
Scope 2 Gross Greenhouse Gas Emission Amount (grey+white)	ton CO ₂	277.338	256.853
Scope 1 Grey Cement Specific CO ₂ Emission	kg CO ₂ /t Cement-like	729	732
Scope 1 White Cement Specific CO ₂ Emission	kg CO ₂ /t Cement-like	886	882
Scope 2 Grey Cement Specific CO ₂ Emission	kg CO ₂ /t Cement-like	44	45

Rotary Kiln Emissions		2016	2017
Total Dust Emission	ton	98.80	93.09
Specific Dust Emission	gr/ton clinker	19.10	19.89
Total No _x Emission	ton	8,456.00	7,942.77
Specific No _x Emission	gr/ton clinker	1.630,80	1.696,82
Total Toxic Heavy Metal Emission	ton	0.02	0.04
Specific Toxic Heavy Metal Emission	gr/ton clinker	0.005	0.01
Total Volatile Organic Composite Emission	ton	152.90	147.2
Specific Volatile Organic Composite Emission	gr/ton clinker	29.50	31.4
Total Dioxin-Furan Emission	ton	0.02	0.03
Specific Dioxin-Furan Emission	gr/ton clinker	0.004	0.01
Total HCl	ton	0.80	0.39
Specific HCl	gr/ton clinker	0.20	0.19
Total HF	ton	0.80	0.39
Specific HF	gr/ton clinker	0.20	0.19

*CO₂ emission data for the year 2017, are verified by EY. The Statement of Assurance is included in the Annexes section of this Report.



ENVIRONMENTAL MANAGEMENT

Environmental management is an inseparable and complementary component of all of Çimsa’s processes.

At Çimsa, environmental management is carried out by the company’s senior management

- in a risk and opportunity-oriented fashion,
- by assessing it along with risk management outputs, taking sustainability and cyclical economy principles into consideration and in line with defined strategies.

The Environmental Management Unit is in charge of following environmental management strategies.

The company’s Environmental Policy and processes that are fully aligned to the ISO 14001 Environmental Management System are constantly monitored, internal audits are carried out by the Alternative Fuels and Alternative Raw Materials Management, and improvement and investment works are conducted with action plans where needed.

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

Çimsa’s environmental management activities are subject to internal, as well as external audits.

Internal audit teams scrutinize the processes’ operability and the compliance of operations to procedures. As for the validity of the ISO 14001 Environmental Management System, independent audits are periodically carried out as part of independent audit processes. Çimsa’s environmental management processes are also audited by public institutions

as per the relevant legal regulations. Environmental Management teams work to maintain full compliance with the legal regulations in terms of process and performance on environmental management issues.

In 2017, 26.8 million TRY worth of environmental investments and expenditures have been realized at Çimsa cement plants.

In order to increase environmental performance in accordance with goals, improvement and investment works are carried out each year at Çimsa plants.

Plant-based information on environmental investments in 2017 have been summarized below.

Mersin Plant

- A Clinker Stocking Hall of a capacity of 120,000 tons as well as Clinker Transfer Lines have been built.
- An improvement investment in the bag type filter of the white cement mill number 4 has been made.

Eskişehir Plant

- The clinker cooling electrofilter of the Rotary Furnace line number 1 has been replaced with a new electrofilter of higher capacity.
- An investment of 24 jet-pulse bag type filters to the Raw Materials refractor and to transportation lines has been made.
- An investment of 60 jet-pulse bag type filters to the Rotary Furnace number 1 has been made.
- An investment of 30 jet-pulse bag type filters to the cement mill lines and to the new cement silos has been made.

.....

Çimsa’s **Environmental Policy** and processes that are fully aligned to the **ISO 14001 Environmental Management System** are constantly monitored and improvement and investment works are conducted with action plans where needed.

.....

Niğde Plant

- The existing electrofilter of the Rotary Furnace has been turned into a bag type filter with a higher dust holding capacity performance.
- An investment of new electrofilter to the Clinker Cooling Unit has been made.
- New concreting has been applied on roads that needed renovation in the Rotary Furnace sub-region.
- Investments of bag type filters have been made to the furnace feeding elevator, the top of the marn bunker, the outlet hole of the marn bunker, the outlet hole of the raw meal mill silo, the raw meal mill feeding elevator and the top lines on pre-heaters.

Water and Waste Water Management

In principle, the following are used at Çimsa cement plants:

- gas and clinker cooling in processing,
- dedusting irrigation on the field,
- well and city water in dining hall and bathroom processes.

Household type of waste waters at Çimsa cement plants are refined at the biological waste water purification facilities.

In 2017, the purified waste water outlet values of cement plants have still been under the limit values defined by the relevant regulations.

Purified waters issued from purification facilities are monitored during periods set by relevant legislation and regulations.

Household type waste waters produced at the Çimsa Eskişehir and Kayseri plants are reused as gas cooling water after purification. With this method, not only the discharge of purified water is prevented, but natural water sources are also saved.

With the reuse of purified waters in processes, contribution is also made to cyclical economy principles.

The waste waters produced at the Mersin Plant are purified at the biological waste water purification facilities and discharged to the receiving bodies in accordance with the relevant regulation.

The household waste water produced at the Niğde Plant is directly connected to the municipal city sewage system. Waste water at the Ankara Plant is collected in a cesspit and sent to the municipal treatment system.

Çimsa is part of the Carbon Disclosure Project (CDP).

Each year, Çimsa participates in the climate and water programs of the Carbon Disclosure Project (CDP) which is an

international investment community initiative for combating climate change.

In this respect, every year Çimsa prepares the CDP Climate Change and Water Reports which include its practices and goals as regards the fight against global water crisis, as well as the company's climate-related efforts and goals.

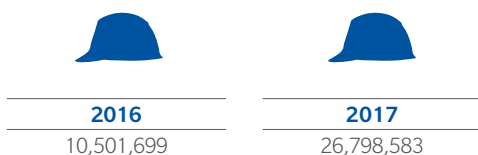
In 2017, Çimsa's CDP Water Report score has risen to B from B-.

The verification of water and waste water amounts consumed at Çimsa in 2017 has been carried out by a third party audit company.

Due to building subcontractor services bought as part of the big investment projects implemented at the Niğde and Eskişehir plants, there has been an increase in the number of staff. This situation has resulted in the increase of general water consumption and, subsequently, of the amount of waste water.

As a result of the reuse of the purified water produced by the Kayseri Plant's package waste water purification facility in the gas cooling tower, there has been an increase in Çimsa's total amount of recovered purified water.

Total Environmental Investment and Management Expenditures (in TRY)



26.8 million TRY

ENVIRONMENTAL MANAGEMENT

Making another first in the Turkish cement industry, Çimsa earned the **ISO 14046 Water Footprint Certificate** in 2017.

A First in the Cement Industry: the ISO 14046 Water Footprint Certificate

While climate change is among the most important challenges of our planet, global statistics point to the fact that clean water sources are quickly drying up.

Scientific findings show that Turkey too is a poor country in terms of water.

This situation necessitates the development and implementation of more conscious and careful consumption projects, especially by industrial institutions.

One of the leading actors of Turkish industry, as a corporate conscious citizen, Çimsa runs significant projects in the area of water as well.

Once again blazing the trail in the Turkish cement industry, thanks to the systematic works it carried out, Çimsa earned the ISO 14046 Water Footprint Certificate in 2017.

The verification of data pertaining to water footprint calculations are carried out by the independent audit firm RINA.

As a result of the company’s works focused on water saving, an amount

equalling to a 1,500 populated village’s water need of 1 year has been saved.

Çimsa Waste Water Management System

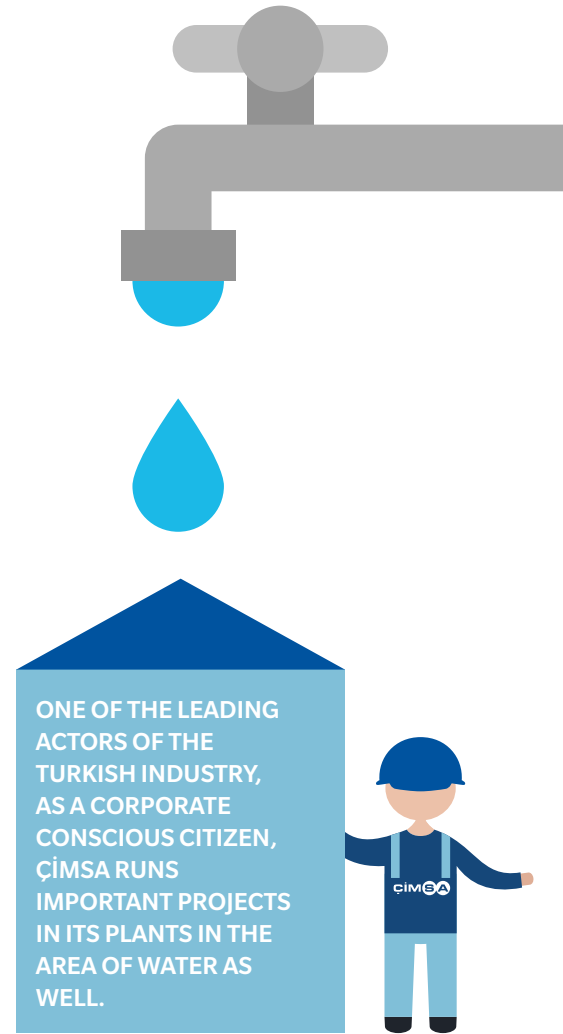
The Çimsa Waste Water Management System organizes the elimination of hazardous and non-hazardous wastes that are produced as a result of plants’ production activities.

The Çimsa Waste Water Management System is a system:

- which is prepared in accordance with legal provisions,
- whose responsibilities are determined based on facilities,
- whose application processes have been designed,
- and whose sorting, registering and reporting processes have been set.

Tracked with the context of the system, the wastes are separated and coded by their properties at the source and stored according to the regulations.

After these processes at Çimsa, they are then either recovered or disposed of in ways defined by the legal provisions.



Total amount of recovered purified water (m³)

2016	2017
27,463	31,450

The packaging wastes produced at Çimsa Plants are sorted at their source, stored separately from other wastes and sent to licensed recycling companies.

Furthermore, the contract made with the authorized company for the treatment of packaging wastes generated from packed products is renewed each year and packaging recovery is realized at the rates determined by the relevant regulation. The recovery rate in 2017 for packages launched to the market was of 54%.

Çimsa’s Mining Activities and Biodiversity

Raw Materials of Cement Production

- lime stone,
 - clay,
 - shist
- and the likes.

Çimsa provides these materials itself through the mining activities it conducts.

As of the end of 2017, the mine fields where Çimsa operates have been of 833 ha.

As a result of its mining operations, in 2017 Çimsa produced 8,7 million tons of raw materials.

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.

The preservation of natural environment is a fundamental priority of Çimsa’s mining operations.

Avoiding any negative impact on the natural life due to mining operations and minimizing environmental impact is very important for Çimsa.

EIA Process

Before activating its mine fields, Çimsa initiates the Environmental Impact Assessment process and completes the necessary legal procedures.

During the EIA process, any possible environmental and social impact including biodiversity are identified and necessary measures are being planned. All commitments foreseen in the EIA project are respected during operations.

Total Hazardous Waste Amount Based on the Disposal Method (ton)

Recovery	109
Energy Recovery	2,383
Disposal	6
Total	2,498

Total Non-Hazardous Waste Amount Based on the Disposal Method (ton)

Recovery	16,681
Energy Recovery	19,550
Disposal	1,868
Total	38,099

Raw Material Amount Obtained From Mines (ton)

	2014	2015	2016	2017
	5,406,896	5,322,942	6,605,061	8,745,090

Active Mine Site Area (ha)

	2014	2015	2016	2017
	317	318	526	833

Before the mining site goes operational, Ecological Recovery Plans are prepared for the restoration of the field after activity. All these plans become official upon the approval of local administrations, relevant ministry and other government agencies.

As of 2017, relevant public authorities approved the Ecological Recovery Plans for 167.73 ha of Çimsa’s land.

Çimsa allocates 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 reforestation activities on the sites way before the end of activities.

Between 2015 and 2017, restoration activities on all of the 17.73 ha of mining sites where operations were concluded have been finalized.

GRI-G4 G4-DMA, G4-EN8, G4-EN10, G4-EN11, G4-EN13, G4-EN14, G4-EN22, G4-EN23, G4-EN26



C O R P O R A T E S O C I A L R E S P O N S I B I L I T Y

Çimsa shares a part of the value it creates through corporate social responsibility projects with society, the company's biggest stakeholder.

Çimsa is aware of the responsibilities that come with being the leading employer in the cities where it has plants. Places where Çimsa facilities are built are more than physical spaces for manufactures: These are spaces where the company's stakeholders and employees live their lives and where future young generations that will work with the company are brought up. That is why these spaces are very significant.

Particularly in the regions which are directly or indirectly affected by operations, Çimsa is focused on meeting its stakeholders' needs and expectations and on providing resources and opportunities to especially youth in underprivileged areas with its long term corporate social responsibility projects.

Çimsa's CSR Approach

In our ever-globalizing world, apart from producing economic value, companies contribute actively to society through social responsibility projects targeting the improvement of society and of individuals.

Planning and implementing its corporate social responsibility activities with a long term perspective and with the aim of creating lasting value, Çimsa runs projects which focus on the environment and on humans, and which aim at increasing individual and social welfare levels.

Çimsa closely follows works carried out on domestic and foreign sustainability and resolutely supports social development activities it conducts through the collaborations it makes.

Education and children are at the core of CSR activities that are carried out in a systematic and planned fashion at Çimsa. Giving emphasis on the education of children, which is one of the main topics of our country, Çimsa also carries out social responsibility projects in areas like health, environment, arts and culture and sports.

The social responsibility activities which took place in 2017 at Çimsa are summarized below.

The number of children reached through Çimsa's Summer Kids Project has increased to 742.

The total number of children who participated in the Summer Kids project reached 742 as of the end of 2017. This project was initiated by Çimsa in Niğde in 2011 with the participation of 32 children, and was aimed at contributing to their development. As part of the project, one psychologist, three drama teachers and three physical education teachers give two-week-long trainings to children aged 7-12.

In 2017, recycling training was given to children in cooperation with the Child University Department of Niğde University, Continuous Education Center, during which they were taught about waste recycling.

Education and children are at the core of **CSR** activities that are carried out in a systematic and planned fashion at Çimsa.





At first realized with the participation of the children of Çimsa's Niğde Plant employees, the project expanded to include children from nearby villages in the following years. The project has been going on for 7 years now and was moved to Mersin as well in 2017.

In 2017, many projects reflecting Çimsa's sensitivity to social development have been carried out.

- During the Disability Week in 2017, Çimsa has contributed to the provision of 53 electric wheelchairs to disabled individuals in collaboration with Mersin Metropolitan Municipality. A total of 111 electric wheelchairs were presented as gifts in the 3-year-long project.
- Contribution has been made to the Plastic Lid campaign run by The Spinal Cord Paralytics Association of

Turkey (TOFD) since 2011 through the collection of plastic bottle lids. With the support given to the campaign and through the income generated from the recycling of the lids, contribution has been made to the purchase of battery-operated and manual wheelchairs for the disabled.

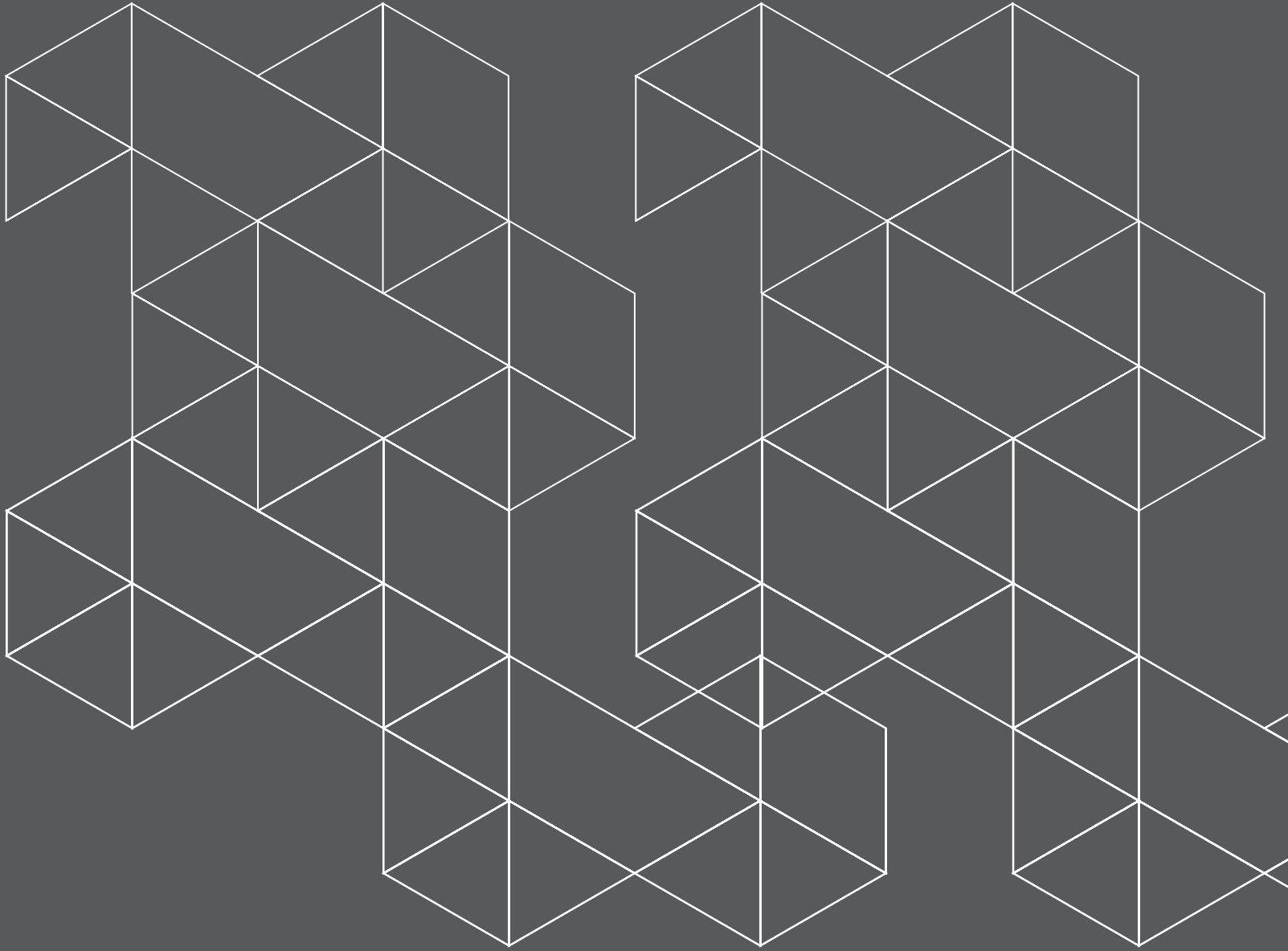
- Çimsa participated in and provided support to the Turkey Innovation Week held between 6-9 December 2017 and initiated by the Turkish Exporters Assembly (TİM) to support innovative works.
- Çimsa supported the C3E The Role of Women in Clean Energy Symposium organized by the Massachusetts Institute of Technology (MIT) where the challenges and opportunities of clean energy and the participation of women in clean energy were discussed under the topic "Enhancement of Big Trends for the Future of Clean Energy".
- Necklaces bought from NAHİL -which is affiliated to the Foundation for the Support of Women's Work and serves to improve the quality of life and economic situation of low-income women- were given as gifts to all mothers working in Çimsa on Mother's Day on May 14, 2017.
- In 2017 too Çimsa supported the "International Quality in Construction Summit" which is held regularly every year by the IMSAD (Association of Turkish Construction Material Producers). The International Quality in Construction Summit, which brings together all stakeholders of the

construction industry, was held in 2017 under the theme "Investment in the Future: Digital Transformation".

- In 2017, Çimsa contributed to the yearly European and Central Asia Regional Meeting of the International Organization of Employers (IOE) of which the Turkish Confederation of Employer Associations (TISK) is a member. The meeting, which is held in a different country each year, was hosted by the TISK in Turkey and with Çimsa's support in 2017.
- Çimsa supported the 10th Corporate Governance Summit held in 2017 by the Corporate Governance Association of Turkey (TKYD). The board members and senior executives of Turkey's leading companies met at the "10th Corporate Governance Summit" held on January 19, 2017. During this important Summit in which both Turkish and foreign expert speakers participated, latest developments in corporate governance were shared and the event attracted a lot of financial press coverage.
- Çimsa supported the 5th International Orange Blossom Carnival, which was held on April 7-9 2017 in Adana, Turkey. Many people from different cities participated in the 5th International Orange Blossom Carnival supported by Çimsa. While many different activities from literature to sports and from folk dances to concerts were taking place during this two-day carnival which attracted a lot of interest, participants who welcomed spring had quite enjoyable moments.

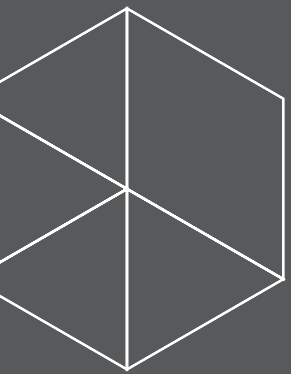


B 7



BOARD OF DIRECTORS ANNUAL REPORT

2017 INTEGRATED ANNUAL REPORT



Serial: Prepared with Respect to
Notification Number II-14.1

1 January – 31 December 2017 Annual
Report of the Board of Directors

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


**Güney Bağımsız Denetim ve
SMMM A.Ş.**

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Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the General Assembly of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi,

1) Opinion

We have audited the annual report of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the fiscal period of 1 January 2017-31 December 2017

According to our opinion, the consolidated financial information included in the annual report of the Board of Directors and the examinations carried out by the Board of Directors on the status of the Group are consistent, with regard to every aspect, with the information we obtained during the independent auditing and the complete set of consolidated financial statements audited.

2) Basis for the Opinion

We conducted our audit in accordance with the independent auditing standards issued by the Capital Markets Board and the Independent Auditing Standards ("IAS") which are part of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority (POA). Our responsibilities under these Standards are described in detail in Independent Auditor's Responsibilities for Independent Audit of Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by the POA and the ethical provisions included in the relevant legislation on independent audit. Code of Ethics and also other responsibilities related with ethics under the legislation have been fulfilled. We believe that the independent audit evidence we obtain during the independent audit is a sufficient and appropriate basis to establish our opinion.

3) Our Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have presented positive opinion on the auditor's report dated 21 February 2018 on the complete set of consolidated financial statements of the Group for the fiscal period 1 January 2017 - 31 December 2017.

4) Responsibility for the Annual Report of the Board of Directors

As per the articles no. 514 and 516 of the Turkish Commercial Code (TTK) no. 6102 and Communiqué on the Principles of Financial Reporting in Capital Markets No. 11-14.1 issued by the Capital Markets Board ("CMB") ("Communiqué"), the Group management is responsible for the activity report as follows:

a) Prepares the annual report within the first three months following the balance sheet date and presents it to the general assembly.

b) Prepares the annual report to reflect the flow of the activities of the group and its financial position with regard to every aspect, in a correct, complete, direct, realistic and honest manner. This report evaluates the financial position according to the consolidated financial statements. The report also clearly indicates the development of the group and the potential risks to be encountered. The assessment of the Board of Directors on these issues is also included in the report.



**Güney Bağımsız Denetim ve
SMMM A.Ş.**

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Mersis No: 0-4350-3032-6000017

c) Annual report also includes the followings:

- Events of special importance and that take place within the group following the end of the activity year,
- Research and development activities of the group,
- Financial benefits such as wages, premiums and bonuses paid to board members and top level managers, allowances, expenses for travel, accommodation and representation, opportunities in kind and in cash, insurances and similar guarantees.

While preparing the annual report, the board of directors also takes into account the secondary regulation amendments issued by the Ministry of Customs and Trade and relevant institutions.

5) Responsibility of the Independent Auditor for the Independent Audit of the Annual Report

Within the framework of TTK provisions and the Communiqué, our aim is to provide opinion and to prepare a report on whether the consolidated financial information included in the annual report and the examinations carried out by the Board of Directors are consistent with the information we obtained during the independent auditing and the audited consolidated financial statements of the Group, and whether they reflect the truth.

The independent audit we conducted was performed in accordance with the IASs and the independent auditing standards issued by the Capital Markets Board. These standards require compliance with ethical provisions and that independent auditing to be planned and carried out to obtain reasonable assurance on whether the consolidated financial information included in the annual report and the examinations carried out by the Board of Directors are consistent with the information obtained during the auditing and the consolidated financial statements, and whether they reflect the truth.

The principal auditor, who conducted and finalized this independent audit, is Cem Uçarlar.

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

(signature-stamp)

Cem Uçarlar, SMMM
Responsible Auditor

1 March 2018
İstanbul, Turkey

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

1. GENERAL INFORMATION

1.1	Accounting Period of Report	: 01 January 2017 -31 December 2017
1.2	Trade Name of the Company	: Çimsa Çimento Sanayi ve Ticaret A.Ş.
	Trade Register Number of the Company	: Istanbul Trade Registry Directorship, 708500
	MERSIS (Central Trade Registry System)	: 0257 0035 2450 0014
	Number of the Company	
	Website of the Company	: www.cimsa.com.tr

1.3 Capital

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

1.4 Shareholding Structure

SHAREHOLDER AND ADDRESS	SHARE RATE (%)	SHARE AMOUNT (TL)	NUMBER OF SHARES (ITEM)
HACI ÖMER SABANCI HOLDİNG AŞ 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 T.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 HACIKAMILOĞLU	Chairman
Seyfettin Ata KÖSEOĞLU	Deputy Chairman (until March 31, 2017) ^(*)
Serra SABANCI	Deputy Chairman (as of March 31, 2017) ^(**)
Gökhan EYİGÜN	Member (as of March 31, 2017) ^(*)
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 held for the memberships of the Board of Directors, and their term of office was determined as three years until the Ordinary General Assembly Meeting to be held in 2018, where activity results of 2017 will be discussed.

^(*) Board of Directors Member Seyfettin Ata KÖSEOĞLU has resigned on 31 March 2017, and Gökhan EYİGÜN has been elected in lieu, to hold office for the remaining period and to be presented to the approval of shareholders during the next General Assembly to be held.

^(**) During the meetings held on March 31, 2017 for the re-appointment of the Board of Directors, Mehmet HACIKAMILOĞLU was appointed Chairman and Serra SABANCI Vice President of the Board of Directors.

As also stated in the Company Articles of Association, the Board of Directors consists of six members elected in accordance with the Turkish Code of Commerce and the 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 the Capital Market Law and Turkish Code of Commerce.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**1- GENERAL INFORMATION (CONT.)****1.6 Board of Directors (Cont.)****Members of the Board of Directors****Mehmet HACIKAMILOĞLU****Chairman**

Mehmet Hacıkamiloğlu was born in Ankara in 1969. Upon 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.

Hacıkamiloğlu then joined Sabancı Group as Facility Manager at Betonsa, and pursued his career within the Group as Investment and Planning Specialist at the same company. He then worked as Strategy Development and Planning Manager at Akçansa between 1997 and 1999, and as Company Manager at Agregasa between 1999 and 2001. After holding office as Financial Coordinator at Akçansa for two years, he joined Çimsa as Deputy General Director (in charge of Finances and Administrative Affairs). Mehmet Hacıkamiloğlu was appointed General Manager of Çimsa on July 01, 2006, transferring to Akçansa Çimento Sanayi ve Ticaret A.Ş. as General Manager from September 01, 2014 on. On February 17, 2016, he was elected as the Chairman of Sabancı Holding's Cement Group as well as Chairman of Çimsa's Board of Directors.

Seyfettin Ata KÖSEOĞLU**Deputy Chairman (until March 31, 2017)**

Born in Akşehir in 1960, Seyfettin Ata Köseoğlu graduated from the Department of Mechanical Engineering at Boğaziçi University. He then received his master's degree in Electrical Engineering from Lehigh University, and obtained an MBA from Boston University. Köseoğlu embarked upon his banking career at İktisat Bank, then working for Finansbank, Bear Stearns, Société Générale Investment Bank, Crédit Suisse First Boston Bank and BNP Paribas/TEB. As of July 01, 2011, he took office as President of the Strategy and Business Development Group of Sabancı Holding. On August 15, 2011, he has been appointed Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. On October 16, 2015, he was elected Chairman of the Board, and since February 17, 2016, he has been holding office as Deputy Chairman. He remained in office until 31 March 2017.

Serra SABANCI**Deputy Chairman (as of March 31, 2017)**

Serra Sabancı was born in Adana in 1975, and she completed her undergraduate studies at Portsmouth University and at the Department of Economics of Istanbul Bilgi University, where she graduated as valedictorian. Serra Sabancı worked at Temsa and underwent trainings on Company Acquisition and Board of Directors Memberships at the Institute of Directors in London. Serra Sabancı continues to hold office as Member of the Board of Directors at Sabancı Holding as well as various group companies, and as a Member of the Board of Trustees at Sabancı Foundation. Since December 18, 2009, she has been holding office as Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş., and was appointed Deputy Chairman of the Board of Directors on March 31, 2017.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**1. GENERAL INFORMATION (CONT.)****1.6 Board of Directors (Cont.)****Gökhan EYİGÜN Member (as of March 31, 2017)****Member**

Eyigün graduated from Istanbul Technical University, Department of Management Engineering in 1998 with honours. He studied an MBA at the Rotterdam School of Management between 2002 - 2004 and underwent several executive trainings at Harvard Business School.

Throughout his career that spans over nearly 20 years, he has been working as manager in particularly corporate finance, strategy and corporate business development projects and operations encompassing many different industries.

He embarked upon his career at Arthur Andersen and served mainly as Corporate Finance Advisor. Later on, he took part in the establishment of the Corporate Financing and M&A Consultancy Department at PricewaterhouseCoopers and took office as its Director. Since 2007, Eyigün has been in office as Director at different levels at Sabancı Holding and is still Director in charge of Strategy and Business Development. He has also been holding office as Member of the Board of Directors of several companies of Sabancı Holding since 2010.

Eyigün has been appointed Member of the Board of Directors of Çimsa as of March 31, 2017.

Barış ORAN**Member**

Born in Çanakkale in 1973, Oran graduated from the Department of Business Administration of Boğaziçi University, and completed his MBA at the University of Georgia. Embarking upon his career as Auditor at Price Waterhouse Coopers in 1995, he worked for Sara Lee Corp. Chicago IL between 1998 - 2003 first in finance and later in treasury/capital markets. He held office at Ernst and Young between 2003 and 2006 as Senior Manager at Minneapolis, MN, then, he was charged with in Europe, Middle East, Africa and India Regions. Oran started working for Kordsa Global in 2006, and was Audit Director, Global Finance Director and CFO respectively. In 2011, he was appointed Finance Director of H.Ö. Sabancı Holding and in 2012, Manager of the Planning, Reporting and Finance Department. Since 2016, he has been in office as Head of the Finance Group of H.Ö. Sabancı Holding, as well as Member of the Board of Directors of Brisa, Enerjisa, Teknosa, Carrefoursa, Yünsa, Avivasa, Temsa and Akçansa. Oran is a Certified Public Accountant (CPA) and was elected Member of Çimsa Çimento Sanayi ve Ticaret A.Ş.'s Board of Directors as of October 16, 2016.

Hasan Cihat ERBAŞOL**Independent Member**

Erbaşol was born in Istanbul in 1944. Graduating from Darüşşafaka Private High school in 1962 and from Washingtonpark High School-Racine/Wisconsin in 1963, he went on to study Law at Istanbul University Faculty of Law and successfully graduated in 1967. Erbaşol started his career as attorney at Marshall Paint Industry. He then worked as Head of the Legal Consultancy Departments at Man Truck Industry and at Kordsa - Lassa (Brisa) – Beksa companies within Sabancı Holding, as well as Head of Sabancı Holding's Legal Department. He has been working independently since 2000 and is a legal consultant. He was appointed Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. on 24 April 2012.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**1. GENERAL INFORMATION (CONT.)****1.6 Board of Directors (Cont.)****Mehmet KAHYA****Independent Member**

Kahya received his undergraduate degrees in Chemical Engineering and Economics from Yale University, and his MBA on Finance, Marketing and Operational Research from the Kellogg Graduate School of Management. He worked as Chief of Management Services at Sasa, and as Chairman at MKM International and Cybernetic Systems. He held office as Deputy Chairman at Sabancı Group's Automotive Group, as Chairman and Deputy Chairman of Temsa, as Vice Chairman of Toyotasa, and he also served as Member of Sabancı Holding's Planning and Steering Council and Member of the Board of Directors of Temsa, Toyotasa, Sasa and Sapeksa. He was Executive Director and Deputy Chairman of the Board of Directors of Carnaud Metalbox, Chairman of Uzel Machinery and Executive Committee Member of Uzel Holding, General Manager and Deputy Chairman of the Paint Group of DYO, Executive Committee Member of Sarten Ambalaj, Deputy Chairman of the Board of Directors of Gierlings Velpor and Chairman of Assan Aluminium. As the founder of Kronos, he is providing consultancy services on strategy, reorganization, profitability transformation, growth, acquisition and merger processes. He is currently holding office as Independent Member in the Boards of Directors of Yaşar Holding, Altinyunus, DYO and Viking Paper, as Head of Risk and Audit Committee of Yaşar Holding, and in Administrative and Executive Councils of Viko and Kalibre Pipes. He was appointed Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. on 24 April 2012.

1.7 Auditor

Regarding the election of an auditor within the scope of the Article No. 399 of TTK, it was approved during the 2016 Ordinary General Assembly Meeting held on March 27, 2017 that Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) based in Istanbul be appointed for the audit of the financial reports of our company for the 2017 operating period and for performing other activities under the relevant regulations of the Turkish Commercial Code No. 6102 and Capital Market Law No. 6362 that were presented to the General Assembly, in accordance with the advice of the Audit Committee, the recommendation of the Board of Directors and the principles determined by the said laws.

1.8 Senior Managers

Nevra ÖZHATAY	General Manager
Bilgen ÇAĞLI	Deputy General Manager (Corporate Development and Human Resources)
Ülkü ÖZCAN	Deputy General Manager (White Cement and Special Products Sales and Marketing)
Gürol ÖZER	Deputy General Manager (Cement Operations and Investments)
Önder KIRCA	Deputy General Manager (Innovation, R&D and Grey Cement Export) ^(*)
Cem TALAY	Deputy General Manager (Grey Cement Sales and Marketing) ^(**)
Baran ÇELİK	Deputy General Manager (Finance and Financial Affairs) ^(**)
Eren MANTAŞ	Deputy General Manager (Finance and Financial Affairs) ^(**)
Ümit ÇETİN	Deputy General Manager (Purchasing and Logistics)
Caner TÜRKYENER	Deputy General Manager (Ready-Mixed Concrete) ^(***)

^(*) Önder KIRCA has been appointed to the newly-created position of Deputy General Manager (Innovation, R&D and Business Development) on April 17, 2017. As of January 1, 2018, he has been holding office as Deputy General Manager in charge of Innovation, R&D and Grey Cement Import.

^(**) Following the resignation on February 28, 2017 of Baran ÇELİK who was acting as Deputy General Manager (Finance and Financial Affairs) in our Company, Eren MANTAŞ has been appointed to the position as of May 15, 2017.

^(***) Following the resignation of Şahap SARIER who was acting as Deputy General Manager (Grey Cement and Marketing), Cem TALAY has been appointed to the position as of January 16, 2017, and the position of Deputy General Manager (Ready-Mixed Concrete) he was fulfilling per procuration will be fulfilled by Caner TÜRKYENER.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**GENERAL INFORMATION (CONT.)****1.8 Senior Managers (Cont.)****Nevra ÖZHATAY****General Manager**

Nevra Özhatay holds a bachelor's degree in Business Administration from Boğaziçi University and an MBA from Exeter University, England. She started working as Finance Specialist in Sabancı Holding Cement Group in 1994. After holding office as Management Support Manager at Akçansa in 1996, she was appointed Strategy and Business Development Specialist in 1998, Planning and Control Manager in 2000, Strategy and Business Development Manager in 2004 and Logistics and Strategy and Business Development Director as of 2008. Özhatay was appointed Çimsa's Chief Financial Officer on January 01, 2009.

She took office as Deputy General Manager of White Cement and Special Products as of June 01, 2013.

She has been General Manager of Çimsa since September 1, 2014.

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

After graduating from the Department of Business Administration (in English) of Marmara University, Ülkü Özcan began her career at Lafarge Turkey in 1999. She served as 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 Strategy and Marketing Director on April 01, 2013. On February 07, 2014, Özcan was appointed to the newly-formed Deputy General Manager (Strategy, Marketing and Sustainability) position. As of January 01, 2015, she has been holding office as Deputy General Manager in charge of White Cement and Special Products. Özcan has been Deputy General Manager in charge of White Cement and Special Products Sales and Marketing as since April 01, 2015.

Dr. Önder KIRCA (as of April 17, 2017)**Deputy General Manager (Innovation, R&D and Grey Cement Export)**

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 on the same field at METU. He served as Research Assistant in the Department of Civil Engineering of Middle East Technical University between 1998-2000. He started working as Cement Research and Application Engineer for Çimsa in 2000. He served as Cement Research and Implementation Chief between 2002-2006, Marketing Manager between 2007-2011 and Central Anatolia Region Sales Director in 2011-2014. Dr. Önder Kirca held office as Deputy General Manager (Ready-Mixed Concrete) between July 1, 2014 and March 31, 2016. He was Deputy General Manager (Sales and Marketing) at Akçansa A.Ş. during the April 1, 2016 and April 16, 2017 period, appointed Deputy General Manager (R&D and Business Development) at Çimsa on April 17, 2017. Kirca has been Deputy General Manager in charge of Innovation, R&D and Grey Cement Export since January 1, 2018.

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

After graduating from Anadolu University, Department of Finance, Cem Talay embarked upon his career as Sales Representative at Akçansa in 1994. In 2007, Talay completed an MBA program which was jointly conducted by Sabancı University and Kavrakoğlu.

Talay worked as Regional Manager for West Black Sea, Regional Manager for Central Black Sea, and Sales Region Manager for North-West Marmara at Karçimsa Cement between 1994 and 2014. He began working for Çimsa in 2014 as Regional Manager in charge of the Eskişehir and Ankara provinces and was appointed Regional Sales Manager for the Eskişehir-Ankara-Afyon provinces as on July 1, 2015. He has been holding office as Deputy General Manager in charge of Grey Cement Sales and Marketing since January 16, 2017.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**GENERAL INFORMATION (CONT.)****1.8 Senior Managers (Cont.)****Caner TÜRKYENER (as of January 16, 2017)****Deputy 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 on April 1, 2002 where he also worked as 2nd Facility Semi-Product Engineer, and 2nd Facility Semi-Product Chief of Production between 2002 and 2007. He worked as Production Manager at Çimsa Eskişehir Plant between 2007 and 2012, and Manager at Çimsa Niğde Plant between 2012 and 2014. After taking office as Manager of Çimsa's Kayseri Plant for a short period, Türkyener was appointed Regional Director for the Kayseri and Niğde provinces on July 1, 2014, and Regional Sales Manager for the Kayseri-Niğde provinces on May 1, 2015. He has been holding office as Deputy General Manager in charge of Ready-Mixed Concrete as of January 16, 2017.

Baran ÇELİK (until February 28, 2017)**Deputy 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. Working as Audit Manager for Ernst&Young, he then went on to serve as Audit Manager for Pepsico Turkey between 2010 and 2011. Çelik started to work at Çimsa in 2011 as Budget and Finance Manager and was appointed Finance Director as of December 01, 2013. Between January 1, 2015 and February 28, 2017, he held office as Deputy General Manager for Finance and Financial Affairs.

Eren MANTAŞ (as of May 15, 2017)**Deputy General Manager (Finance and Financial Affairs)**

Following his graduation from Boğaziçi University, Department of Business Management, Mantaş completed an MBA at the University of California. He started working at Arthur Andersen & Co. as Senior Advisor in 1997, then went on to work for Actus Lend Lease LLC as Project Finances Manager, as Strategy Planning Manager at Teknoloji Holding and as Strategy, Planning and Finance Manager at Brightwell Holdings BV. In 2012, he was appointed Financial Planning, Analysis and Investor Relations Manager at Sabancı Holding. Since 15 May 2017, Mantaş has been in office as Deputy General Manager (Finances) at Çimsa.

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

Bilgen Çağlı graduated from the Department of Psychology of Middle East Technical University in 1993, and obtained her master's degree from Istanbul University, Department of Business Administration. She started her career at Ankara University in 1993 as a Human Resources and Corporate Communications Specialist. Çağlı continued to work as Human Resources Manager at Akkök Group of Companies between 1998 and 2003, and between 2003 and 2007, she held office as Human Resources Manager in charge of Vestel companies owned by Zorlu Group. Thereafter, she worked as Human Resources Manager in charge of Anel Group companies, as well as at Erdemir Demir Çelik A.Ş. Çağlı has been holding office as Deputy General Manager in charge of Corporate Development and Human Resources at Çimsa since May 27, 2013.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**GENERAL INFORMATION (CONT.)****1.8 Senior Managers (Cont.)****Gürol ÖZER****Deputy 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 holds a master's degree from Çukurova University, Electrical and Electronics Engineering Department, completed in 1996. He started to work at Çimsa in 1995 and served in various positions in production and investment departments until he was appointed Automation and Control Systems Manager in 2007. He became Information Technologies and Automation Manager in 2011, Technology Director in 2012 and was appointed Deputy General Manager for Technical Operations on July 1, 2014. Özer underwent an MBA training at the IEDC Bled School of Management. Since April 1, 2015, he has been holding office as Deputy General Manager for Cement Operations and Investments.

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

A graduate of Bilkent University's Banking and Finance School, Çetin embarked upon his career at the French Embassy's Economic Mission. He went on to work as Advisor at Ernst & Young's Corporate Risk Services Department. Between 2008 - 2009 and 2009 - 2012 respectively, he held office as Internal Auditor at Olmuksa Sabancı and International Paper.

He started working for Çimsa in 2012 as Internal Audit Manager and fulfilled this position until 2015. He has been Deputy General Director in charge of Purchasing and Logistics since April 1, 2015.

1.9 Restraint of Transaction and Competition with the 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. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**2.1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

Çimsa Çimento Sanayi ve Ticaret A.Ş. (Hereinafter referred to as the «Company») regularly conducts studies in order to comply with the «Corporate Governance Principles» issued by the Capital Markets Board. In this context, in accordance with the Corporate Governance Communiqué (II-17.1), which was published on January 03, 2014 and enforced, the studies of compliance with compulsory principles have been completed and the other non-compulsory provisions are followed by the majority. Studies to comply with a very small part of those, which could not have been accommodated so far,

are still continuing, despite the fact that the incompatibility has been due to the Company's existing management structure and high costs.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.2. SHAREHOLDERS****2.2.1. Investor Relations Department**

In our Company, assignments pertaining to execution of Shareholder General Assembly meetings, exercise of shareholding rights, share transactions and meeting shareholders' information requests have been made. Within the context of conducting the relations with shareholders by following capital market regulations, our personnel responsible in this regard is in charge of duties such as capital increases, keeping shareholder related records, public disclosures and meeting information requests of shareholders about the Company, including the website, within the scope of the legislation. The shareholders' questions on capital increases, dividend distributions, attendance to General Assembly meetings are responded in verbal, written and digital forms (e-mail) with the exception of information that are secret or confidential in business terms. The Website has been renewed for the investors to be able to get more regular information about the Company's activities and have access to all kind of data related with the Company. All of written and verbal information requests from investors were responded in time. Tasks in the aforementioned department are fulfilled by Eren MANTAŞ, who owns SPL Level 3 Specialist License No. 207668 and Corporate Governance Rating License No. 701434, Ömer Faruk TULUM, who owns SPL Level 3 Specialist License No. 211307 and Corporate Governance Rating License No. 702546, and Mehmet KOÇ; and the information can be obtained by contacting via e-mail addresses e.mantas@cimsa.com.tr, o.tulum@cimsa.com.tr or m.koc@cimsa.com.tr, and telephones 0(216)554 70 16, 0(216) 554 70 42 or 0(216) 554 70 64. The company is attentive and careful about taking every necessary measure to guarantee the satisfaction of the investors. Within the year 2017, 70 one-on-one and group meetings have been carried out, including domestic and international conferences and roadshows. Furthermore, 110 shareholders have applied to the department for information on issues relevant to shareholders, in particular on dividend payouts and attendance to General Assembly meetings, and all of these applications have been responded in verbal and written forms.

2.2.2 Exercise of Shareholder Rights to Obtain Information

The shareholders who register their names on the attendance sheet of the latest General Assembly, the ones who reach us via e-mail or telephone and those who come to the Company in person are informed about financial and administrative issues. In order to expand the shareholder rights to obtain information and provide a healthy exercise of their rights, the required information and documents alongside with financial statements are submitted to shareholders' information on our official website (www.cimsa.com.tr) in both Turkish and English in line with the compulsory declaration processes and are kept updated. In the year 2017, requests for information pertaining to issues such as previous period capital increases, dividend distribution information, stock changes and transition to the registration system and general assembly were provided via e-mail, telephone, fax and meetings in person. Nine shareholders were provided information in written form about the withholding tax charged over dividends. In addition, twelve activity reports were requested and provided via mail. Shareholders can obtain up-to-date information about the Company via the web site (www.cimsa.com.tr), material event disclosures submitted on the Public Disclosure Platform (www.kap.gov.tr) and newspaper announcements. There is no provision for the appointment of a special auditor under the Company's Articles of Association. No requests were received from shareholders on this issue in 2017.

2.2.3 General Assembly Meetings

The Company issues the invitations of General Assembly Meetings in line with the Commercial Code, Capital Markets Board legislation and Articles of Association.

On March 27, 2017 the Ordinary General Assembly Meeting was held with a quorum of 76.46%. The results of the meeting were registered on April 05, 2017 and published on Turkish Commercial Registry Gazette on April 11, 2017. The results of the Ordinary General Assembly Meeting were submitted to the information of the shareholders on the Public Disclosure Platform (KAP), on our Company website (www.cimsa.com.tr) and on our Company page at the information portal of the Central Registry Agency (MKK).

Those who desired from among stakeholders attended the General Assembly either physically or electronically upon completing the required formalities. The invitation of General Assembly meeting was made in line with Turkish Commercial Code and the Articles of Association and this was approved by the Representative of the Ministry. The announcement and agenda of the General Assembly meeting were declared on the Public Disclosure Platform (KAP), the Company page at the information portal of Central Registry Agency (MKK), Turkish Commercial Registry Gazette prior to the meeting. During the meeting, the shareholders were entitled to ask questions and provided with required information. The shareholders were also informed about 1,006,263. - Turkish Lira total donations made in the period (year 2016). The limit of donations to be made for the year 2017 was added as a separate article in the agenda. The activity report was prepared and handed out to the shareholders attending the General Assembly and the shareholders were provided with information on the activities of the previous year.

The decisions, which are qualified to be material with respect to the Turkish Commercial Code, are submitted to the approval of the shareholders in the General Assembly. As the legal compliance with corporate governance principles is carried out, all the material decisions in the changing law will be submitted to the approval of shareholders in the General Assembly.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.2. SHAREHOLDERS (CONTINUED)****2.2.3 General Assembly Meetings (Continued)**

In Article 1527 of the Turkish Commercial Code (TTK) dated 13 January 2011 and numbered 6102; It has been concluded that participating, proposing, commenting and voting on joint stock company general assemblies via electronic media bears all legal consequences of physical participation and voting and additionally, the system of participation and voting in the general assemblies via electronic media has become compulsory for the companies listed on the stock exchange.

“Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media” issued by the Ministry of Customs and Trade to determine the the code of practice of Article 1527 of the Turkish Commercial Code was published in the Official Gazette dated August 28, 2012 and numbered 28395;

“Communique on Electronic General Assembly System to be Implemented in the General Assemblies of Joint Stock Companies” which regulates the procedures and principles regarding the establishment, operation, technical aspects and safety criteria of the electronic general assembly system was published in the Official Gazette dated August 29, 2012 and numbered 28396. Effective date of the said regulations was determined as October 01, 2012.

Pursuant to the third sub-clause of the 5th article of the Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media, participating, proposing, representative assigning, commenting and voting in the general assemblies held by the companies listed on the stock exchange is required to be carried out through the Electronic General Assembly System (EGKS) provided by Central Registry Agency (MKK).

The articles 415 and 417 of Turkish Commercial Code prescribe material changes to participation in the general assembly meetings of joint stock companies, shares of which are monitored and registered by the Central Registry Agency (MKK).

Pursuant to the 13th article of the Capital Markets Law, the list of shareholders, whose shares are monitored and registered, and who can attend the general assembly, will be prepared in line with the “Table of Shareholders” which will be provided electronically by the CRA (MKK) via EGKS in accordance with the first sub-clause of the article 417 of Turkish Commercial Code. Persons who attend the meetings in person should provide an identity card and those who represent legal entities should provide a document of representation and this is the only condition of attendance.

4th sub-clause of article 415 of TTK resolves that the right to participate and vote in the general assembly cannot be dependent on the condition of receiving a document proving shareholding or depositing 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 the general assembly 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 (such as proxy’s name) about proxy granted via EGKS. A proxy electronically assigned via EGKS is not required 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 shareholding structure would harm the Company’s harmonious management structure.

2.2.5 Dividend Rights

Dividend distribution of the Company is regulated in Article 26 of the Articles of Association. Accordingly, after the compulsory 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 of our Company is realized within legal deadlines. Our company has adopted the dividend distribution policy “to distribute at least 50% of the distributable profit” to the shareholders. This policy may be annually reviewed by the Board of Directors depending on the national and global economic conditions, the projects on the agenda, and the status of the funds. There is no privilege in dividend distribution.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.2. SHAREHOLDERS (coninued)****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 Event Disclosure and it has been published on (www.cimsa.com.tr) since then. As required by this policy, the independently audited 6th and 12th month financial statements and unaudited 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 the 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 within 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 the Turkish Commercial Code, the Regulations on the Websites of Companies, the CMB's Corporate Governance Principles, and the requests of 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 the Communiqué on Material Events of the CMB (II-15.1), can be found on the website in Turkish and English as follows, under the heading "Investor Relations".

- Corporate Governance
- Consolidated Financial Statements
- Annual Reports
- Material Event Disclosures
- Information Society Services

Under these headings;

Company Information

Shareholding Structure,

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.3 PUBLIC DISCLOSURE AND TRANSPARENCY (continued)****2.3.1 The Website of the Company and its Content (Continued)**

Senior Management

Board of Directors

Board of Directors Committees

General Assembly Information

Trade Registry Information

Articles of Association

Corporate Governance Compliance Report

Information Policy

Dividend Distribution Policy

Remuneration Policy

Frequently Asked Questions

Financial Statements

Annual Reports

There are sections for declarations of Material Event Disclosures.

Our website also contains information such as Corporate Profile, Products and Services, Sustainability, Human Resources, 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 STAKEHOLDERS**2.4.1 Informing the Stakeholders**

Information is provided to all stakeholders in the form of periodical public disclosures and material event disclosures via the Public Disclosure Platform (KAP), as required by the relevant legislation. Issues such as ordinary and extraordinary general assembly meetings and profit distribution are declared on Turkish Trade Registry Gazette and the Company's website 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, Çimsa Portal, and annual briefing meetings.

Information is also provided through training and seminars, in addition to the annual meetings and promotions held for customers.

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

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

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.4 STAKEHOLDERS (continued)****2.4.2 Participation of Stakeholders 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 participation of project teams is ensured in matters concerning the Company such as goal-setting, process improvement and investments.

Participation of shareholders 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.

2.4.3 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 company 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 Consultancy and Occupational Health and Safety within the organizational structure in order to conduct 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.

To date, there have been no complaints from Çimsa employees about discrimination regarding the Company.

2.4.4 Code of Ethics and Social Responsibility**2.4.4.1 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.

2.4.4.2 Corporate Social Responsibility

The locations where Çimsa's facilities are situated in have importance beyond being the physical locations of the plants. In these regions, Çimsa's stakeholders and employees continue their lives, and new generations who will be working with the Company in the future grow.

Being an active and respected member of the society is crucial for Çimsa. Çimsa is a leading employer in regions where its plants are located. Regions where the company operates in are directly and indirectly impacted 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.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.4 STAKEHOLDERS (continued)****2.4.4 Code of Ethics and Social Responsibility (Continued)****2.4.4.2 Corporate Social Responsibility (Continued)****Çimsa's CSR Approach**

Nowadays companies contribute actively to the society through social responsibility projects targeting to improve the society and individuals as well as producing economic value. Çimsa conducts social responsibility activities in order to increase the welfare levels of individuals as well as creating sustainable and permanent value for the society and determinedly supports social improvement activities 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 2017 at Çimsa are summarized below.

Total number of children participating in the Summer Kids project has reached 742.

The total number of children who participated in the Summer Kids project reached 742 as of 2017 end. This project was initiated by Çimsa with the participation of 32 children in 2011 aiming to contribute to the development of children in Niğde. A psychologist, three drama teachers and three physical education teachers give two-week trainings to children aged 7-12.

In 2017, children were provided with support for having basic knowledge through music, theater, English and chemistry courses given with the cooperation of Niğde University Continuing Education Center's Department of Children's University.

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, which has continued for 7 years, has completed its second year in Mersin in 2017.

Headlines from the other social responsibility activities of Çimsa in 2017...

- During the Disability Week, Çimsa has contributed to providing of 53 electric wheelchairs to disabled individuals in collaboration with Mersin Metropolitan Municipality in 2017. A total of 111 electric wheelchairs were presented as gifts in the 3-year-long project.
- 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 and provided support in the Turkey Innovation Week** between 6-9 December 2017 which was initiated by the Turkish Exporters Assembly (TİM) to support innovative works.
- **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".
- The necklaces obtained from NAHİL, which is affiliated to the Foundation for the Support of Women's Work and serves for improving the quality of life and economic situation of low-income women, were given as a gift to all mothers working in Çimsa, on Mother's Day May 14, 2017.
- In 2017, Çimsa also contributed to the "International Quality in Construction Summit", which is held regularly every year by IMSAD (Association of Turkish Construction Material Producers). International Quality in Construction Summit, which brings together all the stakeholders of the construction industry, was held in 2017 under the theme of "Investment in the Future: Digital Transformation".
- In 2017, Çimsa contributed to the European and Central Asia Regional Meeting, which is held every year in a different country by the International Organization of Employers (IOE), of which Turkish Confederation of Employer Associations (TISK) is a member. This meeting which is held in a different country each year, was hosted in Turkey in 2017 by TISK with Çimsa's support.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)

2.4 STAKEHOLDERS (continued)

2.4.4 Code of Ethics and Social Responsibility (Continued)

2.4.4.2 Corporate Social Responsibility (Continued)

Headlines from other social responsibility activities of Çimsa in 2017... (Continued)

- Çimsa contributed to the 10th Corporate Governance Summit held in 2017 by the Corporate Governance Association of Turkey (TKYD). The board members and senior executives of Turkey's leading companies met at the «Xth Corporate Governance Summit» held on January 19, 2017. The latest developments in corporate governance were shared with participants through the support of Çimsa in this important summit which was held with the participation of speakers of specialists in their fields from overseas and Turkey and followed closely by the financial press.
- Çimsa supported the V. International Orange Blossom Carnival, which was held on April 7-9, 2017 in Adana, Turkey. Many people from different cities participated in the V. International Orange Blossom Carnival supported by Çimsa. While many different activities from literature to sports and from folk dances to concerts were taking place in this two-day carnival, which attracted a lot of interest, the participants who welcomed springtime had quite enjoyable moments.

2.5 BOARD OF DIRECTORS

2.5.1 Structure and Formation of the Board of Directors

Board of Directors

Mehmet HACIKAMİLOĞLU	Chairman
Seyfettin Ata KÖSEOĞLU	Deputy Chairman (Until March 31, 2017) ^(*)
Serra SABANCI	Deputy Chairman (As of March 31, 2017) ^(**)
Gökhan EYİĞÜN	Member (As of March 31, 2017) ^(*)
Bariş ORAN	Member
Hasan Cihat ERBAŞOL	Independent Member
Mehmet KAHYA	Independent Member

At the Ordinary General Assembly Meeting held on March 26, 2015, members of the Board of Directors were elected, and their term of office was determined as three years until the Ordinary General Assembly Meeting to be held in 2018, where activity results of 2017 will be discussed.

^(*) Board of Directors Member Seyfettin Ata KÖSEOĞLU has resigned on 31 March 2017, and Gökhan EYİĞÜN has been elected in lieu, to hold office for the remaining period and to be presented to the approval of shareholders in the next General Assembly to be held.

^(**) Mehmet HACIKAMİLOĞLU and Serra SABANCI were elected as the Chairman and Deputy Chairman of the Board of Directors, respectively, as a result of the meetings held on March 31, 2017 for the re-appointment of the Board of Directors.

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.

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 the Chairman's 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.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.5 BOARD OF DIRECTORS (Continued)****2.5.2 Operating Principles of the Board of Directors**

The Board of Directors convened 20 times in 2017 and made 54 decisions.

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

At the meetings held in 2017, 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 submitted for the approval of the General Assembly regarding relevant party transactions and transactions of material nature.

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

An Audit Committee, a Corporate Governance 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 2017, 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, objective assurance and consultancy services to Çimsa Çimento San. ve Tic. A.Ş. by utilizing the International Internal Auditing 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,
- b) Monitoring the practices related with audit reports and ensuring that the operations and procedures are conducted within 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 that they remain in 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 the 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.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT (CONTINUED)****2.5 BOARD OF DIRECTORS (Continued)****2.5.4 Risk Management and Internal Control Mechanism (Continued)**

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 the 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 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 especially our employees and also 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 2017. In 2017, the Company did not lend 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 a third party under the name of "personal loan" and did not provide any collateral for them such as guarantees.

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 8,944,001 TL. (December 31, 2016 - 7,283,063 TL)

3. COMPANY RESEARCH AND DEVELOPMENT STUDIES

Çimsa, one of the world's leading producers of special cements, also continues operations in innovation and customer support services in line with international standards. An application for our R&D Center, which is the 5th Center in Sabancı Holding and the 1st Center in the cement industry, was made to the Ministry of Science, Industry and Technology of Republic of Turkey as of January 2017, and the Center has obtained the status of Ministry approved R&D center as of February 28, 2017. Çimsa, one of the leading companies, which continuously invest in innovation in the cement industry, has put into operation Turkey's first cement R&D Center in 2000. The Cement Research and Application Center located in the Mersin Plant gives continuous technical support to both domestic and international customers for over 15 years. The basic functions of Çimsa Cement Research and Application Center, which is highly informed and skilled on cement product and its areas of use, are as follows:

- Preparing highly profitable new product development programs which will make a difference in the cement sector and end users,
- Providing lab support to the customers using Çimsa cement products both at home and abroad and developing joint projects by visiting their facilities,

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**3. COMPANY RESEARCH AND DEVELOPMENT STUDIES (CONTINUED)**

and creating added value for the development of the market and informing users about Çimsa products; developing new usage areas.

- Increasing efficiency, product quality and stability in new product studies by supporting operation in production stages.

3.1 New Product Development Activities

Çimsa Cement Research and Application Center's new product development activities are shaped on two bases. Çimsa's primary objective is to both increase the prestige of Çimsa Cement in the world and add products with high profitability to its product portfolio, by developing leading types of cement in the world. Within the framework of these studies, in the past two years, Çimsa has managed to develop the Self-cleaning White Cement and the Anti-bacterial White Cement produced for the first time in the world. The second main objective in innovation is to help customers to produce special products using Çimsa Cement products. The innovative products developed for customers include white concrete traverse, white cement based pumice concrete production, Calcium Aluminate Cement based tile.

During the year, activities were carried out by R&D on 4 routes. These are basic research and development activities, application development activities, customer collaborations, and production research and development activities. Six new projects approved by the Ministry of Science, Industry and Technology were launched in 2017. One European Union supported Horizon 2020 project has begun to be implemented as of May.

In 2017, the R&D competencies and employment of qualified personnel has been increased, the production studies started to be emphasized, and a complete project based work system has been implemented with the development of R&D center philosophy.

R&D projects carried out in 2017:

- 1- Mayenite Phase Dominated Calcium Aluminate Cement Production Prototype Development: A more reactive and faster cement has been developed with the presence of the mayenite phase, one of the main phases of calcium aluminate cements, in the 50% band in the mineral composite. This product allows to make formulation in binary system in building chemical prescriptions.
- 2- Performance Study on the Self-Leveling Screeds Generated by Triple System Design: The best performance mixes were determined by making prescription studies within the framework of customer expectations in the building chemicals products formed with Çimsa products in triple binding systems. In this study, Çimsa products were placed in triple binding systems.
- 3- Development of Calcium Aluminate Cement Based Adhesive in Triple Binding Systems for Large Ceramics: When changing floor tile trends were examined, it was observed that large size ceramics are on the rise and their demand will continue to increase in the coming years. Therefore, the need for high-slip resistant, fast-drying and most importantly non-shrinking ceramic adhesive mortar with long open time has emerged. Studies have been performed on Calcium Aluminate Cement dominant prescriptions, and high performance adhesive formulation has been prepared for these ceramics.
- 4- Investigation of the Performance of Calcium Sulphoaluminate Cement in Different Applications: The performance research of calcium sulphoaluminate cement, a type of cement that is rapidly increasing in use especially in the building chemicals sector across the world, has been investigated together with Middle East Technical University (METU). Variable performance parameters have been observed in plaster and portland cement substitutes.
- 5- Mineralogical Investigations of the Clinkers Produced by Çimsa and Examination of their Process Relations: The performance research of calcium sulphoaluminate cement, which is a rapidly increasing type of cement especially in the construction chemicals sector across the world, has been investigated together with METU. Variable performance parameters have been observed in plaster and portland cement substitutes.
- 6- Examination of the Effects of High Strength White Cement on White Cement Applications: A new generation high early strength white cement, which reaches to the strength of 28 days of normal portland cement in two days, has been developed and its effects in precast and tile sector have been examined. An increase in production speed has been obtained in the applications made with this type of cement due to the gain from dosage advantage and product heat cycle.
- 7- Advanced Materials and Processes to Improve Performance and Cost-Efficiency of Shallow Geothermal Systems and Underground Thermal Storage - The Horizon 2020 EU Project: The Horizon project, which is 100% supported by the European Union, has started in May 2017. With joint efforts with our partner Sabancı University in Turkey, design studies for flexible, environmentally sensitive, fluid mortar with high thermal conductivity have initiated in the wells of geothermal underground heating systems. Çimsa R&D Center will complete its first Horizon project as of the completion of this study which will last 42 months.

3.2 Joint Project Activities with the Customer

Within the framework of Cement Application Center support activities; the Cement Application Center is also responsible for informing not only white cement but also gray cement and Calcium Aluminate Cement users about cements through planned visits. Joint studies are carried out with precast and building chemicals customers.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**3. COMPANY RESEARCH AND DEVELOPMENT STUDIES (CONTINUED)****3.2 Joint Project Activities with the Customer (continued)**

Joint activities performed with customers are listed below.

2017:

- A total of 110 customer visits (Building Chemical, Precast, Refractory) were carried out during the year and common project ideas were discussed,
- The technical support team has reached a total of 520+ customers, including 400+ precast/concrete and 120+ building chemical customers, and received their proposals and met their support needs in technical matters,
- 18 Customer-Joint Projects were conducted.
- The quality and production departments continue to work jointly with 100% solution-reporting support for customer complaints.

Our Dry-Mix Newsletters publication addressing foreign markets was added to the building chemicals and precast technique bulletins we publish in the domestic market.

2017 Domestic Publications:

- Chemical Additives Used in Cement Systems and Their Properties
- Mineral Phases in Cement
- Performance Effect of Particle Size Distribution in Cement Systems
- Effect of Ettringite Generation Conditions on Triple System Performance
- Special Concretes
- Effects of Co-Usage of Portland Cement and Aluminate Cement
- Aging Effect in Cement
- Use of Calcium Aluminate Cement in Floor Concretes
- Relations Between Cement Performance and Grinding Parameters
- Examination of the Prefabricated System Performance Generated with High Early Strength White Cement
- Examination of the Tile Performances Produced with High Early Strength White Cement

2017 International Publications:

- Effect of Formulation Parameters on Adhesive Properties of Tile Adhesive Mortars
- Effect of Particle Size Distribution on Performance of Cement Systems
- Impact of the Conditions of Ettringite Formation on Ternary Systems Performance

3.3. Production R&D Activities

As of 2017, the scope of R&D activities has been improved to include operations as well. Çimsa personnel, who are involved in the production function, have been also included in R&D projects, expanding the scope of R&D center personnel. The operational studies carried out in the first quarter of 2017 are stated below.

- 1- Development of Calcium Aluminate Cement Containing 50% Aluminum Oxide
- 2- Production of Calcium Sulphoaluminate Cement Prototype
- 3- Development of White Mortar Cement
- 4- Development of Calcium Aluminate Cement with High Reactivity
- 5- Production of White Cement with Long Processing Time

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**3. COMPANY RESEARCH AND DEVELOPMENT STUDIES (CONTINUED)****3.3. Production R&D Activities (continued)**

In addition to new product development studies;

- Studies on the usability of waste raw materials in production have been carried out,
- Performance parameters of vertical and ball mill products were compared,
- Fluorite grade analysis method has been developed,
- Studies have been made to determine the combustion efficiency of petroleum coke.

In 2017, studies on product value chain have been carried out; raw materials-process-clinker-cement-quality interactions were investigated and the following reports were written, then shared with the production teams and placed in the common access area to enable accessibility by all Çimsa personnel.

- CAC50 Report
- CAC40 Report
- Mersin 2nd and 3rd Facility White Cement Report
- Calcium Sulphoaluminate Cement Report

3.4 Innovation And Special Products

- Çimsa owns Turkey's first and only Cement R&D Center.
- Çimsa has succeeded to obtain the international approval of the documents regarding the Environmental Product Declaration (EPD) for quantitative evaluation and declaration of the environmental performance of the product for Super White Cement (Çimsa Super White Cement) and Calcium Aluminate Cement products at the end of 2015.
- Çimsa has made another proud achievement 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.
- Thanks to these certifications, the Calcium Aluminate Cement has become the world's first EPD certified calcium aluminate cement, while the super white cement has become the world's second EPD certified white cement product.
- In addition, manufacturers of building products can also demonstrate environmental and sustainability sensitivity through declaration as a corporate responsibility.
- A patent application has been made under the title of 'Hydraulic Bonding Agent Achieving Fast Strength' for one of our cement products developed. Moreover, certification acquisition has been realized as a result of our application of a useful model for 'Environmentalist Calcium Sulphoaluminate Cement' which was produced as a prototype using high amount of waste material.
- University-Industry co-operations have been made, joint studies have been conducted with universities such as Sabancı University and Middle East Technical University, and master theses have been technically supported.
- Çimsa has participated in relevant domestic and international events throughout the year and closely monitored technological and scientific developments. Çimsa has contributed to these conferences with presentations and posters of the studies carried out by its R&D department.

Event participations in 2017:

- Concrete 2017
- European Coating Show 2017
- International Microscopy Conference
- 6th International Drymix Conference 17
- Refra 2017
- Future of Cement
- Colloquium on Refractories
- Unitecr 17

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**3. COMPANY RESEARCH AND DEVELOPMENT STUDIES (CONTINUED)****3.4 Innovation And Special Products (continued)**

Thanks to participation in these activities, Çimsa has had the opportunity to meet with its domestic and foreign customers on a common platform and establish a communication network with academic circles.

- Collaboration with strong companies has been realized in the field of construction chemicals and polymers. Common project ideas were created to be put into practice in 2017.
- Our application for the Horizon 2020 project, which has started in 2017, was accepted. The project studies supported by the European Union and internationally partnered are carried out by our R&D Center. The first six-month studies of the project have been completed.
- The international patent applications were also made for Sulfoaluminate Cement Containing Mayenite Phase and Quick Set Hydraulic Binder discoveries, of which domestic applications were made in 2016.
- Our Quick Set Hydraulic Binder discovery has entitled to receive the Preferred Utility Model Certificate.
- With these applications, the goal was the sole production of calcium sulfoaluminate cement by Çimsa Cement in Turkey and its worldwide sales with our own patent.
- Çimsa receives consultancy from the Middle East Technical University, Civil Engineering Department. Civil Engineering Department Head İsmail Özgür Yaman provides literature and lab assistance within the scope of consultancy agreement for the works on special products.
- Cement Technologies and Applications course started being offered at Sabancı University as of 2016. In this context the Research Center employees share information on innovations and applications in the cement industry by participating in the courses.
- A seminar on Construction Chemicals is given once a year in Istanbul with the participation of Çimsa R&D team and academicians.
- Our 3rd Construction Chemicals Seminar was held in September 2017, and innovations in the construction chemicals sector and the results of R&D Center studies were shared with our customers by respected academicians from home and abroad.
- In addition, Çimsa gives free raw material support for the master thesis studies carried out with its special products. The requests are also evaluated regardless of the university they are coming from and information exchanges are carried out.
- Expert academicians on Construction and Materials from prominent universities in Turkey were hosted by Çimsa Cement Research and Application Center in June 2016 where they exchanged information on our special products and production systematic. Joint study topics were identified and graduate and post-graduate students were channeled towards these subjects.
- Our project titled "Process and Product Characterization of Calcium Aluminate Cement with Rietveld Analysis" and completed in 2017 has been awarded to be supported by TUBITAK.
- Çimsa Research and Application Center continues to serve the sector in cement and concrete fields by adding advanced analysis methods to Construction Chemicals, Concrete, Grinding, Chemical and Mechanical Laboratories. This advanced analysis includes polarized microscope examinations and Fourier Transform Infrared Spectrophotometer (FT-IR) examinations. If necessary, SEM (electron microscopy) examinations are carried out in Mersin University central laboratory.
- Our solution partner pool develops day by day, and we actively cooperate with other R&D centers in the sector.
-
- Çözüm ortakları havuzumuz günden güne gelişmekte, sektörde yer alan diğer Ar-Ge Merkezleri ile aktif iş birlikleri gerçekleştirilmektedir.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**3. COMPANY RESEARCH AND DEVELOPMENT STUDIES (CONTINUED)****3.5 Monthly Articles and Patent Sharing**

As of December 2016, R&D articles and patent share presentations have been made regularly every month with the active participation of the Çimsa personnel both face-to-face and simultaneously via Skype. The following subjects were addressed in these presentations;

- Clinker Grinding and Fineness-Performance Relationships
- Furnace Operations
- Triple Systems
- Plaster Optimization
- Hydration Parameters
- Mineral Phase Formations in Cement and Its Performance Effects
- Alternative Raw Material Consumption

The developments in the sector have been closely monitored in patent and utility model sharing, and also the special products and new technological breakthroughs in the cement sector have been examined and shared with internal participants.

3.6 Çimsa Construction Chemicals Seminar

3. Construction Chemicals Seminar was held under the leadership of Çimsa Formülhane at Sakıp Sabancı Museum on September 21. Information on technical developments and innovative applications in the construction chemicals products were shared by industry-leading academicians in the seminar which took place with a high level of participation. The subjects and presentations discussed in the seminar are mentioned below.

- Technical Mortars: Raw Material, Formulation and Solution Suggestions for Frequently Encountered Problems, Munich Technical University -Prof. Dr. Johann Plank
- The Effects of Portland Cement and Calcium Aluminate Cement Mineral Phases on the Performance of Construction Chemicals Products, Çimsa-Formülhane
- The Effects of Different Methyl Cellulose Types on White Cement Based Ceramic Adhesives, Middle East Technical University - Prof. Dr. Özgür Yaman
- Developing Polycarboxylate Ether-Based Superplasticizer for Increasing Workability of Calcium Aluminate Cement Mortar, Sabancı University - Dr. Özge Akbulut
- The Physical and Chemical Effects of Using Nano Mineral Additives on Cement Bonding Composites, Hacettepe University - Prof. Dr. Mustafa Şahmaran

Çimsa Formülhane has ranked among the companies that have proven their success in innovation field during the 4th InovaLİG program held in 2017 in cooperation between Turkey Exporters Assembly and the international management consulting firm IMP3rove Academy, and was awarded with Outstanding Achievement Certificate by ranking among the top 10 companies in the «Innovation Organization and Culture» category of the InovaLG Awards, where 971 companies competed on the basis of innovation competencies.

3.7 Intellectual Property Rights

In 2017, the Preferred Utility Model Certificate was obtained through the project Quick Set Hydraulic Binder.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

4. COMPANY ACTIVITIES AND KEY DEVELOPMENTS IN OPERATIONS

4.1 Information on the Subsidiaries, Associates and Long-Term Securities of the Company:

Company	Locations of Operation	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	TRNC	99.99
Cimsarom Marketing Distributie S.R.L.	Romania	100.00
Cimsa Adriatico S.R.L (Italy)	Italy	70.00
Cement Sales North GmbH (CSN)	Germany	100.00
Cimsa Americas Cement Manufacturing and Sales Corporation	USA	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.	Turkey	0.02

4.2 Information on the Company's Own Shares Acquired:

Our Company did not acquire its own shares between January 01, 2017 and December 31, 2017.

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

As of December 31, 2017, pursuant to the opinions of legal advisers, the Company reserved a provision of 14,930,295 TL for lawsuits that may result against the Group (December 31, 2016: 13,952,900 TL).

4.4 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, 2017 and December 31, 2017, 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.

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

The Ordinary General Assembly Meeting for 2016 was held on March 27, 2017. The meeting results were registered on April 05, 2017 and published in Turkish Trade Registry Gazette on April 11, 2017.

. The results of the Ordinary General Assembly Meeting were published for the information of the shareholders on Public Disclosure Platform (PDP), on our company website (www.cimsa.com.tr) and on our Company page at the information portal of Central Registry Agency (CRA).

No Extraordinary General Assembly Meetings were held between January 01, 2017 and December 31, 2017.

4.6 Donations Granted in the Period:

Between January 01, 2017 and December 31, 2017, a total of 129,066 TL donations in cash and in kind was granted to various public institutions and organizations. (December 31, 2016: 1,206,076 TL)

4.7 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:

The production and sales amounts for 2017 were above the targeted figures and the consolidated gross profit and consolidated operating profit for 2017 were in line with targeted figures. The decisions made at the Ordinary General Assembly Meeting held on March 27, 2017 were implemented.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**4. COMPANY ACTIVITIES AND KEY DEVELOPMENTS IN OPERATIONS (CONTINUED)****4.8 Our investments:****An investment year for Çimsa - Çimsa has completed total investments of US\$ 106 million in 2017.**

Çimsa has made a total investment expenditure of US\$ 106 million in 2017. US\$ 55.5 million of this total has been spent on the projects carried out at Çimsa facilities in the fields of sustainability, environment and occupational health and safety.

In 2017, which points to the highest level of investment in Çimsa's history, Çimsa;

- Afyon Plant was moved to its modern compound built on a new zone;
- modification investment in Eskişehir Plant was completed;
- capacity increase of its Niğde Plant was realized
- sustainability, environmental and occupational health and safety investments with different scales in Çimsa facilities were completed.

The investments that have been actualized within the scope of Çimsa's strategic growth plan aim to

- Further reinforce the company's strong position in the cement sector
- Render economic growth and profitability sustainable,
- Meet the changing needs of customers and employees in changing global and national market conditions,
- Improve the product and service range.

Afyon Plant was moved to its new campus equipped with modern technology.

Along with this investment, a new plant campus has been established in Halımoru village on the existing raw material quarry outside Afyon city. The Afyon Plant started to produce cement at a capacity of 1.5 million tons clinker/year.

Total investment amount of the new Afyon Plant was realized at US\$ 165 million.

The investment for the modification of Eskişehir Plant has been completed.

The modification project of Eskişehir Plant, which was announced in 2015, has been completed and commissioning and trial production have started.

The transformation investment, which costed US\$ 55 million, includes raw material homogenization and transfer lines, raw meal mill, pre-heater and heat exchanger, calcination, rotary cooling, clinker silo, cement mill, silos and packaging facility.

The white cement production part of the project has been completed in 2017 and commissioning and trial production studies have started. The traveling crane system was abolished simultaneously with this investment; the feeding systems of all mills have been passed to the dust free system, and the investment of stock hall will work together. Additionally, the second cement mill has been modernized to make it suitable for producing white cement.

Çimsa targets to engage the palletization facility with new additional silos in the first quarter of 2018.

Capacity increase at Niğde Plant

The capacity increase investment for Çimsa's Niğde Plant was commissioned on June 18, 2017. Along with this investment, cooling tower modernization, mantle replacement and conversion of electrofilter to bag filter have been completed.

Highlights from investment projects in other factories...

Çimsa also carried out investments in other plants in 2017. In this context, the projects of Klinker Stock hall in Mersin Plant, 2nd Plant SNCR system in Eskişehir Plant, and clinker cooling capacity increase in Kayseri Plant have been implemented, while health and safety, environment, maintenance and modernization investments have also been realized in the plants.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

4. COMPANY ACTIVITIES AND KEY DEVELOPMENTS IN OPERATIONS (CONTINUED)

4.8 Our investments (Continued)

US\$ 1.8 million investment in ready-mixed concrete plants

Çimsa also continued its investment studies in the ready-mixed concrete facilities in 2017. In this context, a total investment expenditure of US\$ 1.8 million has been realized for the investments in environment and occupational health and safety fields in Eskişehir, Kayseri and Afyon ready-mixed concrete facilities.

5-FINANCIAL POSITION

5.1 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 infrastructure and marketing studies and cost-reducing investments and activities. The company manages its financial structure in accordance with procedures by planning current TL and foreign currency cash inflows and requirements.

5.2 Key Financial Ratios:

	Consolidated 31.12.2017	Consolidated 31.12.2016
Net Working Capital = Current Assets – Current Liabilities	236.380.619	330.182.731
I- Liquidity Ratios:		
1- Current Ratio = Current Assets / Short Term Liabilities	0.80	0.64
2- Liquidity Ratio = Current Assets-Inventories-Prepaid Expenses – Assets Related to the Current Period Tax - Other Current Assets / Short Term Liabilities	0,63	0.39
II- Financial Structure Ratios:		
1- Total Liabilities / Shareholders' Equity	1,28	0.94
2- Short Term Liabilities / Total Assets	0.36	0.36
3- Long Term Liabilities / Total Assets	0,19	0.11

5.3 Revenues:

In the January 01, 2017 - December 31, 2017 period, the domestic gross revenues increased by 25% compared to same period of the previous year and amounted to net 1,092 million TL. International gross revenues increased by 42% and amounted to net 561 million TL. Thus, total revenues for 2017 increased by 27% compared to the previous year and were realized at 1,490 million TL.

6. RISKS AND EVALUATION OF THE BOARD OF DIRECTORS

6.1 If any, The Risk Management Policy To Be Implemented by the Company Against Predicted Risks:

Investment and working capital requirements of the company are financed by short and mid to long-term export loans and Turkish Lira and foreign currency loans.

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

Identification and monitoring of the probable risks that the company could encounter forms the basis of risk management. Corporate risk management practices are being carried out in line with risk management and practices procedure applied by group companies of Hacı Ömer Sabancı Holding A.Ş., one of the partners. The risks which the company could most likely to encounter were classified based on their priorities and critical risks are monitored by the Company senior management and Board of Directors. They are insured in accordance with Sabancı Holding risk policies within the context of local and global policies in order to minimize the risks that could directly impact the Company's financial status for all facilities.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**6. RISKS AND EVALUATION OF THE BOARD OF DIRECTORS (CONTINUED)****6.1 If Any, The Risk Management Policy To Be Implemented by the Company Against Predicted Risks: (continued)**

Corporate Risk and Treasury Management Department is operating in order to ensure effective execution of corporate risk management. Processes to be applied for effective risk management on a company basis have been developed and implemented within the Risk Management Department. 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 Governance 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 established in line with the Capital Markets Board's Communique on Corporate Governance, and the Committee and the Corporate Risk and Treasury Management Directorate are expected to work in cooperation.

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

7. AMENDMENTS MADE IN ARTICLES OF ASSOCIATION DURING THE PERIOD

There is no amendment to the Articles of Association between January 01 and December 31, 2017.

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

There are no capital market instruments issued.

9- INDUSTRIAL DEVELOPMENTS AND MAJOR FACTORS AFFECTING THE INDUSTRY

The world cement industry has followed a trend in 2017 parallel to 2016, and the consumption has reached over 4.1 billion tons. Turkey is the leader country of Europe in production of cement and ranks as the 5th country in the world after China, India, USA, and Iran. 71 facilities, of which 53 are integrated facilities and 18 are grinding facilities, are operating in Turkish cement industry.

According to data from Central Bank of Turkey, domestic cement consumption in Turkey increased by 5.1% during the period January-November 2017 compared to the same period of the previous year and reached 66.3 million tons. Part of the capacity surplus generated over the domestic demand has been exported. However, the ongoing Syrian civil war, the economic stagnation in Russia and the social and political unrest in the Middle East and Northern Africa have driven Turkish cement industry to search for new markets in 2016 and 2017.

While the cement industry has kept growing economically, it has also been aware of its environmental responsibilities and has aimed 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 2017. Utilization of waste fuels, alternative raw materials, prevention of waste water discharges and soil pollution stand out as crucial topics in Turkey in order to lower energy costs and decrease the carbon dioxide rates emitted to the atmosphere.

10. THE POSITION OF ÇİMSA IN THE INDUSTRY IT OPERATES IN

Çimsa, one of the leading institutions of Turkish industry, has been established in 1972. Today, Çimsa continues its activities with its 5 integrated plants located in Mersin, Eskişehir, Kayseri, Niğde, and Afyonkarahisar, a grinding plant in Ankara, Marmara Rota Port Cement Packing Facility and Malatya Cement Packing Plant.

Çimsa is one of the world's first three brands in white cement and is an international cement producer with terminals located in Hamburg (Germany), Trieste (Italy), Sevilla and Alicante (Spain), Famagusta (KKTC), Constanta (Romania), and Novorossiysk (Russia).

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**10. THE POSITION OF ÇİMSA IN THE INDUSTRY IT OPERATES IN (CONTINUED)**

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

Çimsa meets the product and solution needs of its customers properly and promptly with its market focused approach and wide distribution network. Çimsa provides living environments that will extend to future generations and the required materials for their infrastructure as a reliable business partner of its stakeholders. Çimsa is a leading innovation company in the cement and construction materials sector in Turkey with its special products like white cement and calcium aluminate cement as well as gray cement.

Having created value for all of its stakeholders and focused on profitable growth, Çimsa also aims to continue this in the future.

11. PROJECTIONS ON THE DEVELOPMENT OF THE ENTERPRISE

Çimsa, a member of Sabancı Cement Group, enriches the ordinary strategic planning process with the implementation of 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 to arise 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 the future.

12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY**Mersin Plant**

At Çimsa Mersin Plant, gray clinker/cement, white clinker/cement, calcium aluminate clinker/cement are produced with four production lines in total. Gray clinker production capacity is 1.25 million tons/year, white clinker production capacity is 1.29 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 furnace 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 pre-homogenization 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 FLS SF-Cooler type cross-bar cooling system was installed. With this investment, the production capacity reached 3,700 tons/day and additionally the heat consumption required for clinker production was reduced.

The rotary furnace with 3.6 m diameter and 49 m length of the plant's second production line, which can produce both gray 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 furnace and the clinker stock hall.

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

At Çimsa Mersin Plant, waste gases from the 1st and 2nd production lines of the plant are converted to 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 furnace 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 systems, one coal mill, one raw meal silo, the rotary furnace and the clinker stock hall.

This production line, operating as Calcium Aluminate Cement Production Facility, CAC Facility in short, was commissioned in 2002 with a furnace of 15,000 tons/year capacity.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONTINUED)****Mersin Plant (continued)**

The production continued to grow in 2007 with a second furnace 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 were started to be supplied to the customers in 25 kg bags, on pallets and in 1.5 and 1.0 ton big-bag type packages. A third furnace 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 established 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 realized 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 furnace with 55 m length and 3.6 m diameter. The facility with clinker production capacity of 2,500 tons/day also contains one raw material crusher, clay and limestone pre-homogenization facilities, one ball coal mill, one vertical raw meal mill, and two ball cement 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 the company's industry.

Eskişehir Plant

Eskişehir Cement Plant was commissioned in 1957 with a 3.6 m diameter, 125 m long wet furnace 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 furnace with 3.6 m diameter and 52 m length and with a capacity of 275 thousand tons/year, and consequently 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 investments for the addition of the dynamic separator to the raw material mill, the complete renewal of the existing clinker cooling system, the rotary furnace burner and dosage system, and the new electro-filter units added to the furnace 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. In Eskişehir Cement Plant, which 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, three cement ball mills serves 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, thus took the furnace process operation and the product quality under control, and continues its efforts to recover 40% of its total calorific consumption from wastes.

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

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONTINUED)****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. In the following years, the wet system clinker line, which completed the economic and technological life, was stopped and production continued with the rotary furnace with dry system.

After the privatization of the plant, the capacity of the furnace increased from 850 tons/day to 1,200 tons/day following the investments made for the rotary furnace unit in 1993, such as the upper cyclone replacement, modernization of transport, and replacement of electro-filter. As per the Competition Council's termination decision for the "Sabancı and Oyak" partnership, as of November 1, 2007, Oysa Niğde Cement Plant was renamed as Çimsa Çimento San. ve Tic. A.Ş. Niğde Cement Plant, has been 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 reached the current capacity of 1,400 tons/day. In addition to the rotary furnace with a four-stage pre-heater and cross-bar cooler, a diameter of 3.8 m and a length of 52 m, the plant, which has a single production line, contains one hammer crusher, one raw meal ball mill, one vertical coal mill, and one cement mill with roller press crusher system.

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 furnace, 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 furnace with 2.8 m diameter and 69.5 m length and with a capacity of 85 thousand tons. In 1965, clinker production capacity was increased to 160 thousand tons with the transformation of the furnace to semi-wet system. The 2nd furnace, 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 was increased to 400 thousand tons.

Afyon Cement Industry Turkish Joint Stock Company, 51% of which was purchased by Çimsa on May 31, 2012, continues its activities as an affiliate of Çimsa since this date.

Afyon Cement Plant, which was incorporated to Çimsa group in 2012, has a new production facility equipped with modern technology and established with an investment of US\$ 165 million with 1.500.000 tons of clinker capacity in the village of Halımoru outside Afyon city. The facility has started production and sales activities as of April 2017. After the new plant has been put into operation, the old plant has discontinued the production.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONTINUED)

Çimsa Facility Information

Production Lines	Clinker Production Capacity (Tons/Day)	Raw Meal Furnace Diameter (m)	Cooler Type	Mill Type
Mersin Çimsa				
Plant 1	3,700 gray clinker	5.3	Cross-bar cooler	Ball mill
Plant 2	1,845 gray clinker	3.6	Cross-bar Cooler	Roller mill
or				
Plant 2	1,470 white clinker	3.6	Cross-bar cooler	Roller mill
Plant 3	2,000 white clinker	3.8	Cross-bar cooler	Roller mill
1st Isıdaç 40	55 Isıdaç-40 clinker			
2nd Isıdaç 40	55 Isıdaç -40 clinker			
3rd Isıdaç 40	55 Isıdaç -40 clinker			
Kayseri Çimsa				
Production Line	2,500 gray clinker	3.6	Cross-bar cooler	Roller mill
Eskişehir Çimsa				
1st Production Line	1,750 gray clinker	3.6	Cross-bar cooler	Ball mill
2nd Production Line	2,300 gray clinker	3.6	Cross-bar cooler	Vertical mill
Niğde Çimsa				
Production Line	1,400 gray clinker	3.8	Cross-bar cooler	Ball mill
Afyon Çimento Sanayi Türk A.Ş.				
1st Production Line	4,500 gray clinker	4.8	Line	Roller vertical mill
Grinding Facility	Mill Production Capacity (Tons/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, 2017:

Clinker Production (ton)		Cement Production (ton)	
GRAY CLINKER	4,831,926	GRAY CEMENT	5,218,937
WHITE CLINKER	1,175,858	WHITE CEMENT	1,088,476
ISIDAÇ-40 CLINKER	35,504	ISIDAÇ-40	31,256
SULPHATE RESISTANT CEMENT CLINKER	58,283	SULPHATE RESISTANT CEMENT CLINKER	39,605
TOTAL	6,101,571	TOTAL	6,378,274

Ready-Mixed Concrete Facilities

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 in Adana, Mersin, Osmaniye, Kahramanmaraş, Kayseri, Nevşehir, Aksaray, Karaman, Konya, Bilecik, Adapazarı, Bursa, Eskişehir, Kütahya, Denizli, Niğde, Uşak 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 218 transit-mixers, 63 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.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY (CONTINUED)****Ready-Mixed Concrete Facilities (continued)**

Most of the chemical additives used in Çimsa ready-mixed concretes are produced at Çimsa Additive Production 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 with its commitment to product quality.

Çimsa's 28 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, which has ISO 9001:2008 International Quality Management System Certificate since 2003, has successfully maintained the continuity its Quality Management System till 2017 thanks to its production, internal audit and customer satisfaction activities sustained in compliance with standards.

Çimsa carries out its OHS activities at its ready-mixed concrete facilities within 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 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 operating in the industry 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 industries. As participation at least with two ready-mixed concrete facilities is obligatory, Çimsa showed one more time emphasis it places on occupational safety by participating in the Blue Helmet Safety at Work Contest with Çukurhisar and Silifke Ready Mixed Concrete Facilities.

13. 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 fully acquired by Çimsa in 2014, carries out white cement and Calcium Aluminate Cement marketing activities at North and West Europe with its 9,000 tons capacity bulk cement silo. As well as marketing white cement and calcium aluminate cement in bulk to Germany, France and Benelux countries, it also realizes sales to 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 warehouses for variously packaged products 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 in this field. Çimsa, which realizes sales to the market through the terminal channel since 2000, reaches 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.

Cimsa Adriatico S.R.L (Italy)

By acquiring the majority shares of Medcon Company on February 9, 2010, Çimsa has become 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 enables access to 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, Bosnia-Herzegovina, South Eastern Germany, and Austria markets. The terminal is suitable not only for storing and packing white cement but also for storing gray cement, and it supplies ISIDAÇ 40 (Calcium Aluminate Cement) as well.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1**13. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD (CONTINUED)****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 via 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 ton capacity silo at Alicante Terminal with the help of pneumatic Kovako through 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. Cement is offered to the customer via the sieves, placed in these areas before filling, with the removal of foreign materials and clods, which may have been mixed during transportation. 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 packing machine is equipped with an electronic weighing system and transports the bags within the predetermined weight limits (± 25 kg) to the palletizing unit via the conveyor.

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. (TRNC)

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

Gray 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 Çimsa Mersin Plant.

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

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

OOO Cimsa Russian 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 7,000 ton silo capacity white cement packing plant, which has been operating since 2008, meets the demands of customers in the Russian market.

Cimsa Americas Cement Manufacturing and Sales Corporation (USA)

Çimsa founded the company named Cimsa Americas Cement Manufacturing and Sales Corp. in the United States with a capital of US\$ 14 million in 2017. The Company's field of activity has been determined as cement production, sales, and marketing. The investment studies targeting start of production activities continue.

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

14. PERSONNEL MOVEMENTS AND COLLECTIVE BARGAINING ADMINISTRATION

14.1 Number of Personnel:

A total of 1,196 personnel is employed at Çimsa group workplaces included in consolidation (including terminals abroad and Afyon Çimento) as of December 31, 2017.

In the January 01 - December 31, 2017 period, 122 personnel quitted, while 147 personnel were employed, at Çimsa group workplaces included in consolidation.

14.2 Collective Bargaining Administration

Group Collective Bargaining Agreement administered in Çimsa Plants; The collective bargaining negotiations between the Union of Cement Employers (ÇEİS) and T. Çimse-İş Union concluded with the agreement of the parties in February 2018. A collective bargaining agreement for 2 (two) years, covering the period between January 01, 2018 and December 31, 2019, was signed.

14.3 Compensation and Benefits for Personnel

The personnel categorized as out-of-scope (white collar) are provided with a total compensation package consisting of 12 gross salaries and 4 gross bonuses in March, June, September and December. As defined in the relevant Company procedures, the white-collar employees also have some side benefits, such as private life, private health insurance, employer-contributed private pension plan, corporate GSM line, corporate telephony device, company vehicle, meal card, personnel transport service depending on business size and position. The personnel categorized as in-scope (blue collar) are provided with a total compensation package consisting of 12 gross salaries and 4 gross bonuses in March, June, September and December. In addition to payment of social benefits provided in gross 12 times a year and hour-based shift premiums related with 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.

15. CENTRAL AND OFF-CENTRAL ORGANIZATIONS

	Address	Contact Information
Head Office:	Kısıklı Cad. No: 4 Sarkuysan - Ak İş Merkezi S Blok Altunizade/İstanbul	Telephone: 0 (216) 651 53 00 Fax: 0 (216) 651 14 15
Cement Facilities:		
Çimsa Mersin	Toroslar Mah. Tekke Cad. Yenitaşkent/Mersin	Telephone: 0 (324) 454 00 60 Fax: 0 (324) 454 00 75
Çimsa Kayseri	Malatya Karayolu 35. Km Bünyan/Kayseri	Telephone: 0 (352) 712 16 07 Fax: 0 (352) 712 16 90
Çimsa Eskişehir	İstanbul Karayolu 22. Km Çukurhisar/Eskişehir	Telephone: 0 (222) 411 32 00 Fax: 0 (222) 411 31 31
Çimsa Ankara	Karşıyaka Mah. Fırat Cad. No: 3 Lalahan/Ankara	Telephone: 0 (312) 865 23 96 Fax: 0 (312) 865 23 95
Çimsa Niğde	Hacı Sabancı Bulvarı Niğde	Telephone: 0 (388) 232 36 30 Fax: 0 (388) 232 36 34
Çimsa Malatya Terminal	TCDD Yanı Çimento Dolum Tesisi Battalgazi Malatya	Telephone: 0 (422) 841 36 77 Fax: 0 (422) 841 32 30
Çimsa Marmara Terminal	Sahil Caddesi Rota Limanı İçi Yarımca - Körfez/Kocaeli	Telephone: 0 (262) 528 42 33 Fax: 0 (262) 528 42 36
Çimsa Çimento San. ve Tic. A.Ş./ Mersin Free-zone Branch	Yalçın Alaybeyoğlu Bulvarı Parkur İş Merkezi Ofis No: 209 Serbest Bölge/Mersin	Telephone: 0 (324) 233 47 65 Fax: 0 (324) 233 47 66
Afyon Çimento Sanayi T.A.Ş	Halımoru Köyü Almacık Mevkii 03030 Merkez- AFYONKARAHİSAR	Tel: 444 80 03 - (0272) 220 80 00 Fax: (0272) 214 72 09

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

15. CENTRAL AND OFF-CENTRAL ORGANIZATIONS (CONTINUED)

	Address	Contact Information
Ready Mixed Concrete And Aggregate Facilities:		
Zeytinli Ready Mixed Concrete Facility	Adana - Mersin Yolu Üzeri 17. Km Kestel Mevkii Zeytinli Seyhan/Adana	Telephone: 0 (322) 441 19 01 (3 lines) Fax: 0 (322) 441 18 99
Misis Ready Mixed Concrete Facility	Hacı Sabancı Organize Sanayi Bölgesi 6. Cadde Misis Yüreğir/Adana	Telephone: 0 (322) 394 34 20/21 Fax: 0 (322) 394 34 22
İncirlik Ready Mixed Concrete Facility	Güzelevler Mah. Girne Bulvarı Bossa - 2 Fab. Yanı Yüreğir/Adana	Telephone: 0 (322) 346 02 39 Fax: 0 (322) 346 02 49
Osmaniye Ready Mixed Concrete Facility	Tüysüz Beldesi Yolcağı Mevkii D-400 Karayolu Üzeri Toprakkale/Osmaniye	Telephone: 0 (328) 633 24 59 Fax: 0 (328) 633 24 60
Kahramanmaraş Ready Mixed Concrete Facility	Kayseri Yolu Üzeri 2. Km Galericiiler Sitesi Bitişiği Kahramanmaraş	Telephone: 0 (344) 234 13 10 Fax: 0 (344) 234 13 11
Kozan Ready Mixed Concrete Facility	Kozan Organize Sanayi Bölgesi İçi Kozan/Adana	Telephone: 0 (322) 529 20 21 Fax: 0 (322) 529 20 22
Başakpınar Ready Mixed Concrete Facility	Malatya Yolu Üzeri 10.km Başakpınar Gaziler Mevkii Talas/Kayseri	Telephone: 0 (352) 224 67 40 (3 line) Fax: 0 (352) 224 67 44
Anbar Ready Mixed Concrete Facility	Ankara Karayolu Üzeri Ambar Mevkii Bölge Trafik Arkası/Kayseri	Telephone: 0 (352) 326 92 43 Fax: 0 (352) 326 92 46
Nevşehir Ready Mixed Concrete Facility	Niğde Yolu Üzeri 7.Km. Göre/Nevşehir	Telephone: 0 (384) 232 83 95 Fax: 0 (384) 232 82 62
Yenihal Ready Mixed Concrete Facility	Bahçelievler Mah. 1097 sok. No: 2 Yenihal Yolu Yalınayak Kasabası/Mersin	Telephone: 0 (324) 235 73 14 Fax: 0 (324) 235 73 17
Tarsus Ready Mixed Concrete Facility	Workplace Address Çamlıyayla Yolu, Eshab-ı Kehf Yol Kavşağı, Tarsus/Mersin	Telephone: 0 (324) 627 27 97 Fax: 0 (324) 627 17 57
Silifke Ready Mixed Concrete Facility	Kabasakallı Köyü Gökçeboyu Mevki, Silifke/Mersin	Telephone: 0 (324) 714 42 66 Fax: 0 (324) 714 42 66
Aksaray Ready Mixed Concrete Facility	Organize San. Bölgesi Aksaray	Telefon: 0 (382) 266 21 16 Fax: 0 (382) 266 21 18
Karaman Ready Mixed Concrete Facility	Organize San. Bölgesi Karaman	Telephone: 0 (338) 224 10 26 Fax: 0 (338) 224 10 92
Ereğli Ready Mixed Concrete Facility	Konya Yolu Üzeri 3. Km. Ereğli/Konya	Telephone: 0 (332) 710 00 51 Fax: 0 (332) 710 00 52
İnegöl Ready Mixed Concrete Facility	Cerrah Kasabası Kalburt Mevkii Dereboyu - İnegöl/Bursa	Telephone: 0 (224) 714 22 00 Fax: 0 (224) 714 22 03

SERIAL: PREPARED WITH RESPECT TO NOTIFICATION NUMBER II-14.1

15. CENTRAL AND OFF-CENTRAL ORGANIZATIONS (CONTINUED)

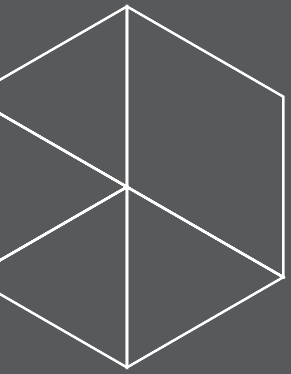
	Address	Contact information
Ready Mixed Concrete And Aggregate Facilities:		
Adapazarı Ready Mixed Concrete Facility	Orta Mah. Plevne Cad. No: 31 Sakarya	Telephone: 0 (264) 373 72 00 Fax: 0 (264) 373 72 11
Osmaneli Ready Mixed Concrete Facility	Camikebir Mah. Çörektepe Mevkii Osmaneli/Bilecik	Telephone: 0 (228) 469 21 32 Fax: 0 (228) 469 21 31
Bilecik Ready Mixed Concrete Facility	1. Organize Sanayi Bölgesi 8. Cadde No: 3 Merkez/Bilecik	Telephone: 0 (228) 216 00 23 Fax: 0 (228) 216 00 22
Eskişehir Ready Mixed Concrete Facility	Muttalip Yolu 500. Metre - Eskişehir	Telephone: 0 (222) 321 28 12 Fax: 0 (222) 321 18 72
Çukurhisar Ready Mixed Concrete Facility	Bursa yolu 20. km Çukurhisar/Eskişehir	Telephone: 0 (530) 668 95 23 (GSM)
Kütahya Ready Mixed Concrete Facility	Kütahya - Balıkesir Yolu 1. Km - Kütahya	Telephone: 0 (274) 224 19 87 (GSM) Fax: 0 (274) 224 19 88
Denizli Üçler Ready Mixed Concrete Facility	Hacı Eyüpü Mah.3125 Sok.No: 5 Üçler -Denizli	Telephone: 0 (532) 383 73 91 (GSM)
Bor/Niğde Ready Mixed Concrete Facility	Ahmet Kuddusi Mahallesi Mehmet Bıyık Caddesi No: 184 Bor/Niğde	Telephone: 0 (388) 313 15 13 0 (388) 313 15 15 Fax: 0 (388) 313 15 45
Afyon Organize Sanayi Ready Mixed Concrete Facility	Afyonkarahisar Organize Sanayi Bölgesi Mah. 4 Cad.2 Sk.No.1 Merkez- Afyonkarahisar	Telephone: 0 (530) 151 43 50 (GSM)
Tavas-Denizli Aggregate Facility	Yelibelen Tepe Mevkii, Sarıabat Köyü Tavas/Denizli	Telephone: 0 (530) 548 38 64 (GSM)
Ready Mixed Concrete And Aggregate Facilities:		
Terminals Abroad:		
Cimsa Cementos Espana S.A.U - Spain	Carretera de la Esclusa S/N, Darsena del Batan Notre, 41011 Puerto de Sevilla/Spain	Telephone: 00 34 95 427 50 68 Fax: 00 34 95 427 19 36
CSN Cement Sales North GmbH - Germany	NesserlanderStrasse, 5 Emden/Germany 26721	Telephone: 00 49 40 70 20 93 14 Fax: 00 49 70 20 93 20/22
Çimsa Cement Free Zone Ltd - K.K.T.C.	Free Port, Famagusta/TRNC	Telephone: 00 90 392 365 49 80 Fax: 00 90 392 365 49 81
Cimsarom Marketing Distributie S.R.L. Romania	BdMamaia, OficeNr 5, Nr 251 Et 4, Constanta/Romania	Telephone: 00 40 241 585 333 Fax: 00 40 241 585 333
Cimsa-Rus Cement Trading Company Limited- Russia	353960 Krasnodarskiy Krai Svoboda Str No: 1/A Cemdolina Novorossiysk, RUSSIA	Telephone: + (8617) 67 20 31 Fax: +7 (8617) 67 20 32
Cimsa Adriatico S.R.L Italy	Riva Alvise Cadamosto, 8 34147 Trieste/Italy	Telephone: 00 39 040 282 09 18 Fax: 00 39 040 282 09 23

B 8



INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

2017 INTEGRATED ANNUAL REPORT



Consolidated Financial Statements for the Period of 1 January - 31 December 2017 together with the Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT



**Güney Bağımsız Denetim ve
SMMM A.Ş.**
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Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Shareholders of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (“InAS”) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (“Code of Ethics”) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

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

Key Audit Matters	How key audit matter addressed in the Auditor’s response
<p>Goodwill impairment test</p> <p>As at 31 December 2017, there is a goodwill amounting to TL 148.119.252 as a result of previous acquisitions. In accordance with TAS, the Group performs an impairment test per each cash generating unit to assess whether there is an impairment in the goodwill amount. The assumptions, sensitivities and results of the tests performed are disclosed in note 12 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances.</p>	<p>We involved the valuation specialists from another entity that is a part of the same audit network to our audit team to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.</p>
<p>Capitalization of financing expenses</p> <p>The Group, as disclosed in note 11, capitalizes significant qualifying borrowing costs in respect of major capital projects, including on going factory constructions. Given that there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 23 are inappropriately recorded on the balance sheet rather than expensed, this matter is considered as key audit matter.</p>	<p>We have tested the operating effectiveness of controls in respect of the processes and procedures which govern the capitalisation of borrowing costs. Furthermore, we have carried out substantive testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originally approved budget. In relation to borrowing costs we obtained the supporting calculations, verified the inputs to the calculation, including testing a sample of cash payments, tested the mechanical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised.</p>

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

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

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

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

5) Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

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

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 21 February 2018.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Cem Uçarlar.

Güney Bilgi ve Danışmanlık ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Grant Thornton & Young Global Limited



Cem Uçarlar, SMMM
Partner

21 February 2018
İstanbul, Türkiye

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017
 (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 2017	(Audited) Prior Period 31 December 2016
ASSETS			
Cash and cash equivalents	5	204.303.367	32.828.414
Trade receivables	6	527.109.810	318.130.576
Trade receivables from related parties	27	3.585.588	10.756
Trade receivables from third parties		523.524.222	318.119.820
Other receivables	8	19.426.487	535.607
Other receivables from third parties		19.426.487	535.607
Inventories	9	146.774.920	176.903.829
Prepaid expenses	10	7.751.792	22.170.864
Assets related to the current period taxes	25	3.606.207	4.666.210
Other current assets	17	43.187.066	27.423.658
		952.159.649	582.659.158
Current assets			
Trade receivables	6	3.651.658	2.067.255
Trade receivables from third parties		3.651.658	2.067.255
Other receivables	8	3.497.796	3.280.920
Other receivables from third parties		3.497.796	3.280.920
Available for sale financial investments	29	64.478	56.978
Investments accounted under equity method	3	254.063.121	227.204.764
Derivative instruments	19	10.375.886	-
Property, plant and equipment	11	1.812.560.081	1.486.537.379
Intangible assets		164.960.610	167.065.970
Goodwill	12	148.119.252	148.119.252
Other intangible assets	13	16.841.358	18.946.718
Prepaid expenses	10	1.831.108	32.201.791
Deferred tax assets	25	7.414.569	6.973.708
Other non-current assets	17	31.870.607	32.464.362
		2.290.289.914	1.957.853.127
Non-current assets			
		3.242.449.563	2.540.512.285
TOTAL ASSETS			

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 2017
 (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 2017	(Audited) Prior Period 31 December 2016
LIABILITIES			
Short-term borrowings	7	649.286.713	375.016.168
Current portion of long-term borrowings	7	177.801.905	200.064.509
Trade payables	6	290.746.264	275.714.203
Trade payables to related parties	27	11.999.811	27.689.182
Trade payables to third parties		278.746.453	248.025.021
Employee benefit obligations	16	8.726.850	7.092.249
Other payables	8	10.818.376	10.239.295
Other payables to related parties	27	902.084	1.371.587
Other payables to third parties		9.916.292	8.867.708
Derivative financial liabilities	19	475.452	68.816
Deferred income	10	15.813.152	7.503.693
Current income tax liability	25	9.247.691	11.201.977
Short-term provisions		19.430.295	18.652.900
Short-term provisions for employee benefits	14	4.500.000	4.700.000
Other short-term provisions	14	14.930.295	13.952.900
Other current liabilities	17	6.193.570	7.288.079
Current liabilities		1.188.540.268	912.841.889
Long-term borrowings	7	549.748.773	211.936.758
Long-term provisions		37.386.359	31.630.841
Long-term provisions for employee benefits	14,16	32.773.566	27.391.725
Other long-term provisions	14	4.612.793	4.239.116
Derivative financial liabilities	19	11.174.043	-
Deferred tax liability	25	33.250.309	25.116.199
Non-current liabilities		631.559.484	268.683.798
SHAREHOLDERS' EQUITY			
Share capital	18	135.084.442	135.084.442
Adjustments to share capital	18	41.741.516	41.741.516
Share premiums		1.099.415	1.099.415
Other comprehensive income/expense to be reclassified to profit or loss		32.337.990	23.362.492
Foreign currency translation reserve		29.853.540	15.949.885
Hedge fund		(9.896.684)	-
Increase/(decrease) funds of available-for-sale financial assets		12.381.134	7.412.607
Other comprehensive income/expense not to be reclassified to profit or loss		(6.500.138)	(4.844.261)
Actuarial losses/gains on defined benefit plans		(6.500.138)	(4.844.261)
Restricted reserves		187.026.176	168.519.607
Retained earnings		675.700.470	640.007.495
Net profit for the year		228.351.942	246.019.452
Equity attributable to equityholders of the parent		1.294.841.813	1.250.990.158
Non-controlling interests		127.507.998	107.996.440
Total shareholders' equity		1.422.349.811	1.358.986.598
TOTAL LIABILITIES AND EQUITY		3.242.449.563	2.540.512.285

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 2017

(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 2017	(Audited) Prior Period 1 January- 31 December 2016
OPERATING INCOME			
Sales	20	1.490.579.874	1.170.309.931
Cost of sales (-)	21	(1.095.690.025)	(794.861.516)
GROSS PROFIT		394.889.849	375.448.415
General and administrative expense (-)	21	(79.826.881)	(79.924.712)
Marketing, selling and distribution expense (-)	21	(10.984.195)	(9.744.407)
Research and development expenses(-)	21	(1.557.456)	-
Other operating income	22	55.265.789	45.863.716
Other operating expenses (-)	22	(28.135.236)	(25.524.333)
OPERATING PROFIT		329.651.870	306.118.679
Income from investment activities	23	51.805.811	3.553.884
Expense from investment activities (-)	23	(409.865)	(2.169)
Profit/(loss) from investments accounted by equity method	3	14.484.722	20.912.294
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		395.532.538	330.582.688
Financial income	24	2.728.922	12.746.874
Financial expenses (-)	24	(102.315.797)	(37.072.499)
PROFIT BEFORE TAXATION		295.945.663	306.257.063
Tax income/(expense) from continuing operations		(48.660.910)	(57.196.683)
- Current period tax expense	25	(37.674.035)	(54.612.724)
- Deferred tax income/(expense)	25	(10.986.875)	(2.583.959)
NET PROFIT		247.284.753	249.060.380
Profit/(loss) for the period attributable to			
- Non-controlling interests		18.932.811	3.040.928
- Equity holders of the parent		228.351.942	246.019.452
Earnings per share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	26	1,6904	1,8212

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 2017

(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))

	<u>Note</u>	(Audited) Current Period 1 January- 31 December 2017	(Audited) Prior Period 1 January- 31 December 2016
PROFIT FOR THE PERIOD		247.284.753	249.060.380
Other comprehensive income/expense to be reclassified to profit or loss		9.569.570	20.552.276
Foreign currency translation reserve		14.497.727	13.139.669
Available for sales financial assets revaluation reserve		6.210.659	8.895.128
Hedge fund		(12.370.855)	-
Tax (expense)/income	25	1.232.039	(1.482.521)
Other comprehensive income/expense not to be reclassified to profit or loss		(1.671.202)	(452.352)
Actuarial gains/(losses) on defined benefit plans		(2.089.002)	(565.440)
Tax (expense)/income	25	417.800	113.088
OTHER COMPREHENSIVE INCOME (AFTER TAX)		7.898.368	20.099.924
TOTAL COMPREHENSIVE INCOME		255.183.121	269.160.304
Total comprehensive income attributable to			
- Non-controlling interests		19.511.558	4.054.826
- Equity holders of the parent		235.671.563	265.105.478

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 2017

(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))

	Other comprehensive income/expense to be reclassified to profit or loss					
	Share capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Cash flow hedge reserve	Available for sales financial assets revaluation reserve
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
1 January 2017	135.084.442	41.741.516	1.099.415	15.949.885	-	7.412.607
Transfer from retained earnings	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-
Other comprehensive income/ (expense)	-	-	-	13.903.655	(9.896.684)	4.968.527
Total comprehensive income/ (expense)	-	-	-	13.903.655	(9.896.684)	4.968.527
Dividends paid ^(*)	-	-	-	-	-	-
31 December 2017	135.084.442	41.741.516	1.099.415	29.853.540	(9.896.684)	12.381.134

^(*)The decision to distribute dividend of 191.819.908 TL from 2016 year profit was unanimously approved by the Ordinary General Assembly held on 27 March 2017 and the payment completed on 29 March 2017.

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						Total equity
	Actuarial gains/(losses) on defined benefit plans	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	
	(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
	(4.844.261)	168.519.607	640.007.495	246.019.452	1.250.990.158	107.996.440	1.358.986.598
	-	18.506.569	227.512.883	(246.019.452)	-	-	-
	-	-	-	228.351.942	228.351.942	18.932.811	247.284.753
	(1.655.877)	-	-	-	7.319.621	578.747	7.898.368
	(1.655.877)	-	-	228.351.942	235.671.563	19.511.558	255.183.121
	-	-	(191.819.908)	-	(191.819.908)	-	(191.819.908)
	(6.500.138)	187.026.176	675.700.470	228.351.942	1.294.841.813	127.507.998	1.422.349.811

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

(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 2017	(Audited) Prior Period 1 January- 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		223.486.232	262.413.973
Profit before taxation		295.945.663	306.257.063
Adjustments to reconcile net profit/loss for the period		76.356.497	80.953.498
Adjustment related to depreciation and amortization expense	11/12	81.557.843	58.535.454
Impairment on property, plant and equipment	11	-	7.250.786
Adjustment related to gain on sale of fixed assets	23	(48.177.287)	(1.039.599)
Adjustment related to retained profits of subsidiaries	3	(14.484.722)	(20.912.294)
Adjustment related to allowance for doubtful receivable	6/8	(1.105.872)	2.601.889
Adjustment related to provision for inventories	9	130.802	140.077
Adjustment related to provision for litigations	14.a	977.395	1.172.759
Adjustment related to recultivation provision	14.b	510.245	(388.834)
Adjustment related to provision for unlawful occupation	14.b	69.729	133.802
Adjustment related to retirement pay provision	16.c	4.830.363	3.817.335
Adjustment related to seniority provision	16.c	99.747	285.629
Adjustment related to unpaid vacation liability	16.c	1.273.594	855.429
Adjustment related to bonus accrual	14.a	4.500.000	4.700.000
Adjustment related to interest expense	24/22	86.727.291	21.864.858
Adjustment related to interest income	24/22	(3.665.395)	(11.955.908)
Adjustment related to dividend income	23	(19.761)	(18.944)
Unrealized foreign exchange (gains)/losses on financial borrowings		(38.209.900)	13.842.243
Adjustment related to fair value decrease/(increase) of derivative financial instruments	19	1.342.425	68.816
Changes in working capital		(100.614.731)	(60.253.759)
Short-term trade receivables		(207.996.791)	7.988.403
Inventories		29.998.107	(80.979.196)
Other receivables/current assets/prepaid expenses		(19.176.991)	(32.124.235)
Long-term trade receivables		(1.584.403)	(2.067.255)
Other long term receivables/prepaid expenses		61.139.024	(30.463.415)
Short term trade payables		15.032.061	69.460.604
Other short term payables/liabilities		21.974.262	7.931.335
Cash flows from operations		271.687.429	326.956.802
Interest received		936.473	1.802.132
Unlawful paid	14.b	(206.297)	(199.777)
Penalty paid thereunder code 6111		(1.371.587)	-
Seniority provision paid		(4.700.000)	(4.613.000)
Retirement pay provision paid	16.c	(2.550.676)	(2.574.400)
Unused vacation liability paid	16.c	(402.498)	(296.105)
Seniority provision paid	16.c	(38.931)	(216.569)
Taxes paid	24	(39.867.681)	(58.445.110)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(322.264.094)	(600.101.445)
Purchases of property, plant and equipment		(355.190.672)	(609.289.617)
Proceeds from sales of property, plant and equipment	11/19	63.764.150	2.001.083
Purchases of intangible assets	12	(446.110)	(2.270.020)
Change in advances given for fixed assets	10.a	(30.391.462)	9.457.110
C. CASH FLOWS FROM FINANCING ACTIVITIES		264.250.070	135.242.513
Proceeds from borrowings		1.081.961.330	1.003.602.855
Repayment of borrowings		(581.095.778)	(620.115.046)
Dividend paid	14	(191.819.908)	(201.275.818)
Dividend income	23	19.761	18.944
Interest paid		(47.544.257)	(59.735.296)
Interests received	24	2.728.922	12.746.874
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		165.472.208	(202.444.958)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	32.828.414	224.071.872
Currency translation differences (net)		6.002.745	11.201.500
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	204.303.367	32.828.414

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 2017

(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. (“BİST”). 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 2016 - TL 200.000.000)

As of 31 December 2017 and 31 December 2016, 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 2017	31 December 2016
Çimsa Cement Free-Zone Limited (Çimsa Cement) ^(*)	12.10.2005	NCTR	Cement sales and marketing	99,99%	99,99%
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) ^(*)	08.02.2006	Romania	Cement sales and marketing	99,99%	99,99%
Çimsa Cement Sales North GmbH (CSN) ^(*)	27.06.2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana, S.A.U.) ^(*)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi ^(*)	12.12.2007	Mersin	Export	100%	100%
Regent Place Limited (Regent) ^(*)	21.05.2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) ^(*)	16.07.2008	Russia	Cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl ^(*)	09.02.2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi ^(*)	31.05.2012	Turkey	Cement production and sales	51%	51%
Cimsa Americas Cement Manufacturing and Sales Corporation (Cimsa Americas) ^(*)	07.07.2017	USA	Cement production and sales	%100	-

^(*) 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.

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 21 February 2018. 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 2017 is 658 (2016 - 663) and white collar employees (not a union member) is 481 (2016 - 483) and the number of employees working in subsidiaries located abroad is 42 (2016 - 42).

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)
 (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

2.1 Basis of presentation

Preparation principles of financial statements

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”), functional currency of OOO Çimsa - Rus Ctk is Ruble and functional currency of Cimsa Americas Cement Manufacturing and Sales Corporation is Dollar (“USD”). 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” (“TAS 19”), 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 “Borrowing Cost” (“TAS 23”) over construction in progress, the assessment of financial assets and liabilities in accordance with TAS 39 “Financial Instruments: Accounting and Measurement” (“TAS 39”), the accounting of TFRS 3 “Business Combinations” (“TFRS 3”) 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.

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.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

(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)

2.5 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 2017, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries. 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 common accounting policies for similar transactions and events and are prepared for the same accounting system with 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.

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, Afyon Çimento and Cimsa Americas 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.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

(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)

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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	5-10 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 ne measured accurately. Sub-sequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amorti-zation 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.

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

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.

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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 inter-ests 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 cluded 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Foreign currency transactions (continued)

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 2017	31 December 2016
USA Dollar ("USD")/TL	3,7719	3,5192
Euro ("EUR")/TL	4,5155	3,7099
Ruble ("RUB")/TL	0,0651	0,0573
Ron ("RON")/TL	0,9637	0,8131
Sterlin ("GBP")/TL	5,0803	4,3189

Foreign currency translation rates used as of respective period-ends are as follows:

Date	2017	2016
USD/TL	3,6437	3,0174
EUR/TL	4,1181	3,3372
RUB/TL	0,0622	0,0486
RON/TL	0,8969	0,7599
GBP/TL	4,6795	4,0751

Borrowing costs

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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.

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.

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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 (continued)

d. Vacation rights

Liabilities arising from unused vacation rights are accrued in the periods when they are deserved.

Leasing

Leasing activities - 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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

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).

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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.

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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

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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.

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.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are accounted directly in equity as "Hedges funds". Furthermore, the Group is protected from foreign net investment risk arising from changes in foreign currency financial liabilities and foreign exchange rates. The effective portion of changes in the foreign exchange rates of the foreign currency financial liabilities is accounted under equity as "Hedge funds".

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.

Research expenses and development costs

When research expenses realized, they are recorded as an expense. Project costs which is related to research of the product or desing of the product are considered as an intangible asset if the the project succesfully applied from commercial and technological aspects. Other development expenses are recorded as an expense when realized. Development costs recorded in the prior period can not be capitalized in the following period.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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 2017 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 2017. 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 2017

- TAS 7 Statement of Cash Flows (Amendments)
- TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- Annual Improvements to TFRS - 2014-2016 Cycle

Possible effects of relevant standards, amendment and interpretations on Groups Financials and performance are examined.

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 Company 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
- TFRS 9 Financial Instruments
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- Annual Improvements to TFRS - 2014-2016 Cycle

Possible effects of relevant standards, amendment and interpretations on Groups Financials and performance are examined.

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):

- Annual Improvements - 2010-2012 Cycle
- Annual Improvements - 2011-2013 Cycle
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements - 2015-2017 Cycle

Possible effects of relevant standards, amendment and interpretations on Group’s financial positions and performance are examined.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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 (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 (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, 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 (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 (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 (Note 12).
- g) 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 14).

2.10 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of December 31, 2017, 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.

3. SHARES IN AFFILIATED UNDERTAKINGS

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 2017 and 31 December 2016 and revenue, expense and net profit for the periods ending 31 December 2017 and 31 December 2016 are as follows:

Investments	Country	Main operating activity	Effective ownership (%)	31 December 2017	Effective ownership (%)	31 December 2016
				Carrying net book value		Carrying net book value
Exsa	Turkey	Investment property and financial instruments	32,875	254.063.121	32,875	227.204.764
				254.063.121		227.204.764
					31 December 2017	31 December 2016
Assets					802.069.583	721.515.111
Liabilities					(29.254.008)	(30.397.958)
Net Assets					772.815.575	691.117.153
Group's share					254.063.121	227.204.764

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3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

	1 January- 31 December 2017	1 January- 31 December 2016
Revenues	60.657.639	123.998.719
Expenses	(16.597.648)	(60.837.175)
Net profit for the period	44.059.991	63.161.544
Group's share in net profit	14.484.723	20.912.294

As of December 31, 2017 and December 31, 2016, the movement of Exsa, which is accounted by equity method is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Beginning of the period	227.197.264	198.872.363
Valuation Funds	12.381.134	7.412.607
Profit/loss for the period	14.484.723	20.912.294
End of the period	254.063.121	227.197.264

Information regarding the Subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiary	31 December 2017			
	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	18.943.596	120.230.890	-

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	-

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 2017	31 December 2016
Cash and cash equivalents	66.229.496	522.924
Other current assets	122.259.788	35.115.871
Non-current assets	615.488.449	586.347.791
Total assets	803.977.733	621.986.586
Short term borrowings	276.449.100	206.040.405
Other current liabilities	60.566.527	34.694.638
Long term borrowings	219.285.066	169.909.965
Other non-current liabilities	1.387.767	3.722.562
Total liabilities	557.688.460	414.367.570
Total equity	246.289.273	207.619.016

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3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

Condensed income statement information

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	168.153.098	60.826.896
Gross profit	35.289.211	2.122.075
Operating profit/ (loss)	29.805.162	6.529.139
Net financial income/(expense)	(41.675.845)	(2.075.212)
Profit/ (loss) before tax	36.061.015	4.453.927
Net profit for the period	38.660.399	6.334.345

Condensed cash flow information

	1 January- 31 December 2017	1 January- 31 December 2016
Cash flows from operating activities	(3.420.429)	(28.786.191)
Cash flows from investing activities	305.550	(307.988.895)
Cash flows from financing activities (excluding dividend)	68.579.618	173.283.343
Net increase/(decrease) in cash and cash equivalents	65.464.739	(163.491.743)

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.

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 2017 and 31 December 2016, 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 2017 and 31 December 2016.

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4. SEGMENT REPORTING (continued)

1 January-31 December 2017	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	1.256.960.339	317.917.543	-	(84.298.008)	1.490.579.874
Cost of sales (-)	(846.658.000)	(333.330.033)	-	84.298.008	(1.095.690.025)
Gross profit/(loss)	410.302.339	(15.412.490)	-	-	394.889.849
General administrative,marketing selling distribution expenses (-)	(68.394.061)	-	(22.417.015)	-	(90.811.076)
Other operating income/expenses (-), net	22.688.506	172.543	4.269.504	-	27.130.553
Research and development expenses (-)	(1.557.456)	-	-	-	(1.557.456)
Operating profit/ (loss)	363.039.328	(15.239.947)	(18.147.511)	-	329.651.870
Income from investment activities	51.805.811	-	-	-	51.805.811
Expense from investment activities (-)	(409.865)	-	-	-	(409.865)
Profit/loss from investments accounted by equity method	-	-	14.484.722	-	14.484.722
Operating profit/(loss) before financial income/expense	414.435.274	(15.239.947)	(3.662.789)	-	395.532.538
Financial income/(expenses), (net)	(99.586.875)	-	-	-	(99.586.875)
Profit/(loss) before tax from continuing operations	314.848.399	(15.239.947)	(3.662.789)	-	295.945.663
Tax (expense)/income from continuing operations	(48.660.910)	-	-	-	(48.660.910)
Current period tax expense (-)	(37.674.035)	-	-	-	(37.674.035)
Deferred tax income/(expense)	(10.986.875)	-	-	-	(10.986.875)
Profit/(loss) for the period from continuing operations	266.187.489	(15.239.947)	(3.662.789)	-	247.284.753
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	-	720.339.383
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	336.297.590	(7.669.178)	1.954.276	-	330.582.688
Financial income/(expenses), (net)	(24.325.625)	-	-	-	(24.325.625)
Profit/(loss) before tax from continuing operations	311.971.965	(7.669.178)	1.954.276	-	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	254.775.282	(7.669.178)	1.954.276	-	249.060.380

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4. SEGMENT REPORTING (continued)

1 January - 31 December 2017					
Other segment information	Cement	Ready-mix concrete	Undistributed	Eliminatioaion	Total
Tangible assets	413.213.226	8.129.572	-	-	421.342.798
Intangible assets	446.110	-	-	-	446.110
Total investment expenses	413.659.336	8.129.572	-	-	421.788.908
Amortization expense	(64.943.920)	(13.823.826)	-	-	(78.767.746)
Impairment	-	-	-	-	-
Redemption	(2.790.097)	-	-	-	(2.790.097)
1 January - 31 December 2016					
Other segment information	Cement	Ready-mix concrete	Undistributed	Eliminatioaion	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)
31 December 2017					
Assets and liabilities	Cement	Ready-mix concrete	Undistributed	Eliminatioaion	Total
Tangible assets	1.621.293.216	1.312.038.782	-	-	2.933.331.998
Available for sale financial investments	-	-	64.478	-	64.478
Investments accounted by equity method	-	-	254.063.121	-	254.063.121
Undistributed assets	-	-	54.989.966	-	54.989.966
Total asset	1.621.293.216	1.312.038.782	309.117.565	-	3.242.449.563
Segment liabilities	1.723.694.819	96.404.933	-	-	1.820.099.752
Undistributed liabilities	-	-	1.422.349.811	-	1.422.349.811
Total liabilities	1.723.694.819	96.404.933	1.422.349.811	-	3.242.449.563
31 December 2016					
Assets and liabilities	Cement	Ready-mix concrete	Undistributed	Eliminatioaion	Total
Segment assets	1.091.058.263	1.147.271.499	-	-	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	1.091.058.263	1.147.271.499	302.182.523	-	2.540.512.285
Segment liabilities	1.393.240.786	61.930.897	-	-	1.455.171.683
Undistributed liabilities	-	-	1.085.340.602	-	1.085.340.602
Total liabilities	1.393.240.786	61.930.897	1.085.340.602	-	2.540.512.285

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 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Cash	5.238.514	6.264.317
Cash at banks	185.617.896	19.675.794
Demand deposits	80.724.921	9.675.794
Time deposits with maturity of less than 3 months	104.892.975	10.000.000
Checks in collection	13.446.957	6.888.303
	204.303.367	32.828.414

The detail of bank deposits is stated below:

	31 December 2017	31 December 2016
TL	116.350.002	14.243.776
EUR	40.575.578	4.566.068
USD	28.692.316	465.875
GBP	-	11.695
Other	-	388.380
	185.617.896	19.675.794

Time deposits as of 31 December 2017 and 31 December 2016 are denominated in TL with the maturity of less than three months. As of 31 December 2017, effective weighted average interest rate on time deposits is 13,43% for TL (31 December 2016 TL: 10,95%). The Group does not have any blocked deposits as of 31 December 2017 and 31 December 2016.

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

	31 December 2017	31 December 2016
Short-term trade receivables		
Trade receivables	373.740.351	229.869.361
Notes receivable	160.548.800	99.997.831
Due from related parties (Note 27)	3.585.588	10.756
Allowance for doubtful receivables (-)	(10.764.929)	(11.747.372)
	527.109.810	318.130.576

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 93 days (31 December 2016- 85 days). Effective interest rates used when determining the amortized cost are 13,53% for TL, 3,49% for USD and 2,30% for EUR (31 December 2016 - TL: 11,35%, USD: 2,93%, EUR: 1,35%).

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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 2017 and

31 December 2016 is as follows:

Allowance for doubtful receivables (-)	31 December 2017	31 December 2016
Opening balance	11.747.372	8.385.960
Provisions during the period (Note 22)	-	2.821.333
Reversal of the provision (-) (Note 22)	(1.107.650)	(221.222)
Currency translation difference	125.207	761.301
Closing balance	10.764.929	11.747.372

The long term trade receivables for the periods ended 31 December 2017 and 31 December 2016 is as follows:

Long term trade receivables	31 December 2017	31 December 2016
Notes receivables	2.331.061	-
Trade receivables	1.320.597	2.067.255
	3.651.658	2.067.255

b. Trade payables

Short-term trade payables	31 December 2017	31 December 2016
Trade payables	278.746.453	248.025.021
Trade payables to related parties (Note 27)	11.999.811	27.689.182
	290.746.264	275.714.203

The average payment period of trade payables is 67 days (31 December 2016: 71 days). Effective interest rates used when determining the amortized cost are 13,53% for TL, 3,49% for USD and 2,30% for EUR (31 December 2016 - TL: 11,35%, USD: 2,93%, EUR 1,35%).

7. FINANCIAL BORROWINGS

The detail of Group's financial borrowings as of the balance sheet date is stated below:

Borrowings	31 December 2017	31 December 2016
Short-term borrowings	649.286.713	375.016.168
Current portion of long-term borrowings	177.801.905	200.064.509
	827.088.618	575.080.677
Long-term borrowings	549.748.773	211.936.758
	549.748.773	211.936.758
Total borrowings	1.376.837.391	787.017.435

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7. FINANCIAL BORROWINGS (continued)

The details of the borrowings and financial lease liabilities as of 31 December 2017 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2017
Secured	Fixed	EUR	1,90	21.018.146	45.236.938	49.670.500	94.907.438
Unsecured	Fixed	EUR	2,47	10.211.944	4.749.730	10.066.796	14.816.526
Secured	Floating ^(*)	EUR	2,45	55.000.000	58.435.880	189.916.620	248.352.500
Unsecured	Fixed	TL	12,79	932.007.227	631.912.370	300.094.857	932.007.227
Unsecured	Fixed	USD	3,20	23.000.000	86.753.700	-	86.753.700
					827.088.618	549.748.773	1.376.837.391

^(*) Çimsa has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan of 55.000.000 EUR with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity (Note 19).

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	467.929.814	199.909.965	667.839.779
Unsecured	Fixed	USD	2,93	13.000.000	45.749.600	-	45.749.600
					575.080.677	211.936.758	787.017.435

The repayment schedule of the borrowings as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
To be paid within 1 year	827.088.618	575.080.677
To be paid between 1-2 years	314.908.030	85.185.225
To be paid between 2-3 years	88.575.714	44.892.072
To be paid between 3-4 years	81.464.273	37.020.065
To be paid between 4-5 years	63.137.529	30.640.292
More than 5 years	1.663.227	14.199.104
	1.376.837.391	787.017.435

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. Within the first year from the agreement bank credits usages has been completed. In addition to these loans, in December 2017, three separate credits have been used from TSKB and Akbank with an interest rate 11,50% with a maturity of 1 year of TL 90.000.000 and an interest rate 14.65%, 14, 95% with a maturity of 2 years TL 50.000.000 respectively.

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8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

Short-term other receivables	31 December 2017	31 December 2016
Due from personnel	491.701	426.808
Receivables from insurance claims	80.387	108.799
Other miscellaneous receivables (*)	19.608.045	755.424
Provision for doubtful other receivables (-)	(753.646)	(755.424)
	19.426.487	535.607

(*) As of 31 December 2017, a significant portion of the other receivables consists of 17.123.388 TL related to the sales of the old factory land of Afyon Çimento and TL 1.742.061 of the amount is from the sale of the scraps of old factory.

Long-term other receivables	31 December 2017	31 December 2016
Deposits and guarantees given	3.497.796	3.280.920
	3.497.796	3.280.920

b. Other payables

Short-term other payables	31 December 2017	31 December 2016
Deposits and guarantees received	6.512.984	5.585.105
Taxes and funds payable	3.403.308	3.259.691
Other payables to related parties (Note 27)	902.084	1.371.587
Other trade payables	-	22.912
	10.818.376	10.239.295

9. INVENTORIES

Inventories	31 December 2017	31 December 2016
Raw materials	89.419.395	107.721.750
Work-in progress	31.764.735	47.625.975
Finished goods	22.556.355	19.796.584
Other inventories	6.908.803	5.503.086
Inventory impairment provision (-)	(3.874.368)	(3.743.566)
	146.774.920	176.903.829

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9. INVENTORIES (continued)

Inventory impairment provision movement

Inventory impairment provision movement:	31 December 2017	31 December 2016
Opening balance	3.743.566	3.603.489
Provisions during the period (Note 22)	311.297	140.077
Reversal of the provision (-) (Note 22)	(180.495)	-
Closing balance	3.874.368	3.743.566

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.

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

Short-term provision expenses	31 December 2017	31 December 2016
Advances given to suppliers	6.023.935	12.107.775
Prepaid expenses	1.727.857	10.063.089
	7.751.792	22.170.864
Long-term provision expenses	31 December 2017	31 December 2016
Advances given for the purchase of fixed assets	1.713.070	32.104.532
Prepaid expenses	118.038	97.259
	1.831.108	32.201.791

Long-term prepaid expenses as of 31 December 2016 consist of advances given for the purchase of fixed assets with regard to investments in new factories Afyon, Eskişehir and Niğde.

b. Deferred income

Short-term deferred income	31 December 2017	31 December 2016
Other advanced (*)	8.000.000	-
Advanced received	6.133.215	6.036.615
Deferred income	1.679.937	1.467.078
	15.813.152	7.503.693

(*) Other advanced consists of the transactions related to the sale of the Afyon Çimento land which has not yet been transferred to the land even if the land price has been collected.

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11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment
Cost Value				
Opening Balance as of 1 January 2017	105.784.429	89.555.167	279.784.124	1.147.475.015
Currency translation difference	1.141.339	610.533	10.508.021	14.972.702
Additions	5.173.695	542.143	3.299.504	40.337.578
Disposals	(15.333.611)	(5.711.334)	(15.329.160)	(93.389.818)
Transfers from construction in progress ⁽¹⁾	6.676.833	30.913.664	199.329.075	538.732.684
Closing Balance as of 31 December 2017	103.442.685	115.910.173	477.591.564	1.648.128.161
Accumulated Depreciation				
Opening Balance as of 1 January 2017	-	(45.383.445)	(129.387.540)	(774.172.035)
Currency translation difference	-	(224.381)	(3.714.119,00)	(9.503.970)
Charge for the period	-	(6.161.548)	(10.339.783)	(56.242.866)
Disposals	-	5.493.784	15.329.160	78.602.617
Closing Balance as of 31 December 2017	-	(46.275.590)	(128.112.282)	(761.316.254)
Net Book Value as of 31 December 2017	103.442.685	69.634.583	349.479.282	886.811.907

There is mortgage or pledge over assets of the Group amounting to TL 97.082.197 as of December 31, 2017 (December 31, 2016 - TL 80.000.466). As of 31 December 2017 and 2016, there are no tangible assets acquired through financial leasing.

⁽¹⁾ Construction in progress is related to investments made by the Group to Afyon, Niğde and Eskişehir factories. As of December 31, 2017, the capitalized financing cost and financing income of the construction in progress is amounting to TL 61.238.855 and TL 69.254, respectively, and net financing cost is TL 61.169.601. (31 December 2016: 44.712.319 TL). Afyon Cement's new factory, located in the provincial borders of Afyonkarahisar, which was commissioned in 2014, has been in operation since April 2017 after the completion of the test production and since then Group terminated production in the old factory. The total amount of construction in progress is 208.869 TL which is transferred to intangible assets.

⁽²⁾ Within the year 2017, group has review the useful lives of mixers which is accounted in vehicles and determined the economic life of 7 years to be 10 years. Group has implemented this amendment to prospective years because of possible prediction changes. If there had been no change in useful lives, the depreciation charge for the current period and accumulated depreciation would have been higher amounting to TL 2.933.304.

	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⁾	-	(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

⁽¹⁾ 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.

Vehicles (**)	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
83.449.772	17.515.405	1.134.592	2.283.859	779.181.748	2.506.164.111
526.737	293.337	-	-	-	28.052.669
5.923.397	412.219	51.955	-	365.602.307	421.342.798
(2.259.800)	(3.170.909)	(27.576)	(13.500)	-	(135.235.708)
510.043	1.894.661	-	-	(777.848.091)	208.869
88.150.149	16.944.713	1.158.971	2.270.359	366.935.964	2.820.532.739
(57.480.354)	(10.510.218)	(514.331)	(2.178.809)	-	(1.019.626.732)
(267.197)	(251.118)	-	-	-	(13.960.785)
(4.276.561)	(1.655.194)	(52.241)	(39.553)	-	(78.767.746)
1.840.384	3.100.653	2.507	13.500	-	104.382.605
(60.183.728)	(9.315.877)	(564.065)	(2.204.862)	-	(1.007.972.658)
27.966.421	7.628.836	594.906	65.497	366.935.964	1.812.560.081

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)	-
83.449.772	17.515.405	1.134.592	2.283.859	779.181.748	2.506.164.111
(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
(57.480.354)	(10.510.219)	(514.331)	(2.178.809)	-	(1.019.626.732)
25.969.418	7.005.187	620.261	105.050	779.181.748	1.486.537.379

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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 2017	1 January 31 December 2016
Cost of sales (Note 21)	76.484.697	61.238.886
General administrative expenses (Note 21)	2.009.192	1.428.567
Marketing, sales and distribution expenses (Note 21)	212.640	49.693
Research and development expenses (Note 21)	61.217	-
	78.767.746	62.717.146

12. GOODWILL

The goodwill amount presented in the Group's financial statements as of 31 December 2017 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, and Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012. The movement of goodwill for the periods ending 31 December 2017 and 31 December 2016 is stated below.

	Opening	Effect of the acquired subsidiary	Currency Translation Differences	Total
31 December 2017				
Eskişehir	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
	148.119.252	-	-	148.119.252
31 December 2016				
Eskişehir	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
	148.119.252	-	-	148.119.252

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 2018 and 31 December 2022 through 5 years business plan which is approved by the management. The main assumptions used in the discounted cash flow considers 13,53% 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, 2017.

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13. INTANGIBLE ASSETS

	<u>Mining Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost Value</u>			
Opening Balance as of 1 January 2017	30.936.530	10.453.710	41.390.240
Currency translation difference	-	734.193	734.193
Additions	-	446.110	446.110
Disposals	-	(478.935)	(478.935)
Transfers from investments	-	(208.869)	(208.869)
Closing Balance as of 31 December 2017	<u>30.936.530</u>	<u>10.946.209</u>	<u>41.882.739</u>
<u>Accumulated Amortization</u>			
Opening Balance as of 1 January 2017	(17.412.895)	(5.030.627)	(22.443.522)
Currency translation difference	-	(176.783)	(176.783)
Charge for period	(1.976.864)	(813.233)	(2.790.097)
Disposals	-	369.021	369.021
Closing Balance as of 31 December 2017	<u>(19.389.759)</u>	<u>(5.651.622)</u>	<u>(25.041.381)</u>
Net Book Value as of 31 December 2017	<u>11.546.771</u>	<u>5.294.587</u>	<u>16.841.358</u>
<u>Cost Value</u>			
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>
<u>Accumulated Amortization</u>			
Opening Balance as of 1 January 2016	(15.240.189)	(4.280.757)	(19.520.946)
Currency translation difference	-	(15.312)	(15.313)
Charge for period	(2.334.537)	(734.558)	(3.069.094)
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>

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.

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13. INTANGIBLE ASSETS (continued)

The distribution of amortization charge for intangible assets is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cost of sales (Note 21)	2.709.229	2.987.298
General administrative expenses (Note 21)	71.169	79.046
Marketing, sales and distribution expenses (Note 21)	7.532	2.750
Research and development expenses (Note 21)	2.167	-
	2.790.097	3.069.094

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

As of 31 December 2017, ending balance of bonus and Premium provisions for employee benefits is TL 4.500.000.

(31 December 2016: TL 4.700.000)

	31 December 2017	31 December 2016
Short-term provisions		
Provision for litigations	14.930.295	13.952.900
Short-term provisions for employee benefits	4.500.000	4.700.000
	19.430.295	18.652.900

The movement of "Provision for the litigations" as of 31 December 2017 and 31 December 2016 is stated below:

	1 January- 31 December 2017	1 January- 31 December 2016
Provision for the litigation movement		
Opening balance	13.952.900	12.780.141
Additional provision (Note 22)	1.300.306	1.172.759
Provision paid during the period (-) (Note 22)	(322.911)	-
Closing balance	14.930.295	13.952.900

As of 31 December 2017, the Group has a provision amounting to TL 14.930.295 based on the opinion of the legal advisors related to the cases which have a risk against the Group (31 December 2016: TL 13.952.900).

b. Long-Term Provisions

	31 December 2017	31 December 2016
Long-term provisions		
Long-term employee benefits	32.773.566	27.391.725
Other long term provisions	4.612.793	4.239.116
	37.386.359	31.630.841

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14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

b. Long Term Provisions (continued)

Other long term provisions	31 December 2017	31 December 2016
Recultivation provision	4.612.793	4.102.548
Provision for the unlawful occupation	-	136.568
	4.612.793	4.239.116

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 4.612.793 under “Other Long Term Provisions” as of 31 December 2017 (31 December 2016: TL 4.102.548).

Movement of recultivation provision as of December 31, 2017 and December 31, 2016 is as follows:

Recultivation provision movement	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	4.102.548	4.491.382
Additional provision (Note 22)	510.245	-
Provision paid (-) (Note 22)	-	(388.834)
Closing balance	4.612.793	4.102.548

Movement statements of “Unlawful occupation provision” as of December 31, 2017 and December 31, 2016:

Unlawful occupation provision movement	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	136.568	202.543
Additional provision (Note 22)	69.729	133.802
Provision paid	(206.297)	(199.777)
	-	136.568

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. Due to the abandonment of the old factory site, payments were made with the cost of 2017 unlawful occupation provisions accrued during the year and the provisions were canceled.

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15. COMMITMENTS

As of 31 December 2017 and 31 December 2016, the details of the given letter of guarantee are as follows:

	Original Currency	31 December 2017		31 December 2016	
		Original Amount	TL Balance	Original Currency	TL Balance
Letters of guarantees received	TL	326.778.643	326.778.643	269.841.828	269.841.828
Letters of guarantees received	USD	19.465.349	73.421.351	12.096.523	42.570.085
Letters of guarantees received	EUR	13.597.503	61.399.523	14.805.368	54.926.437
Letters of guarantees received	Other	26.000	26.000	26.000	77.670
Mortgages received	TL	31.407.023	31.407.023	31.943.033	31.943.033
Mortgages received	EURO	1.007.000	4.547.109	1.060.000	3.932.494
Mortgages received	RUB	175.174.835	11.398.627	175.174.835	10.041.022
Checks and Notes received	TL	20.196.573	20.196.573	21.282.960	21.282.960
Checks and Notes received	EURO	75.000	338.663	95.000	352.441
Checks and Notes received	USD	47.300	178.411	47.300	166.458
Pledge	TL	16.452.988	16.452.988	22.193.092	22.193.092
Total received CPM			546.144.911		457.327.520

As of 31 December 2017 and 31 December 2016, the details of the CPM given are as follows:

	Original Currency	31 December 2017		31 December 2016	
		Original Amount	TL Balance	Original Amount	TL Balance
A. Total CPM given for the Company's own legal entity	TL	72.407.321	72.407.321	70.397.889	70.397.889
	USD	55.830.006	210.585.200	24.673.553	86.831.168
	EUR	19.153.502	86.487.638	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		-	-	-	-
			369.480.159		223.286.052

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16. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	31 December 2017	31 December 2016
Social security payables	5.244.971	3.967.141
Personnel withholding tax	2.176.143	1.611.566
Wage and salary payables to personnel	1.305.736	1.513.542
	8.726.850	7.092.249

b. Short Term Employee Benefits

For the year ended December 31, 2017 the bonus accrual is TL 4.500.000 (December 31, 2016: TL 4.700.000) (Note: 14).

c. Long Term Employee Benefits

	31 December 2017	31 December 2016
Retirement pay provision	28.261.383	23.635.650
Provision for unpaid vacation liability	3.784.774	2.889.926
Seniority provision	727.409	866.149
	32.773.566	27.391.725

The movement of “Retirement Pay Provision” for the periods ended 31 December 2017 and 31 December 2016 is stated below:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	23.635.650	21.854.655
Service cost	3.961.671	3.014.295
Interest cost (Note 22)	868.692	803.040
Actuarial loss / (gain)	2.089.002	565.440
Provision paid during the period	(2.550.676)	(2.574.400)
Currency translation difference	257.044	(27.380)
Closing balance	28.261.383	23.635.650

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 4.732,48 as of 31 December 2017 (31 December 2016: full TL 4.297,21).

As of 31 December 2017, 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 2017	31 December 2016
Discount Rate	9,00%	9,00%
Estimated increase rate	5,00%	5,00%
Net discount rate	3,81%	3,81%
Employee turnover rate	3,92%	3,55%

The movement of "Provision for Unpaid Vacation Liability" for the periods ended 31 December 2017 and 31 December 2016 is stated below:

	1 January 31 December 2017	1 January 31 December 2016
Opening balance	2.889.926	2.317.877
Additional provision (Note 22)	1.273.594	855.429
Provision paid during the period	(402.498)	(296.105)
Currency translation difference	23.752	12.725
Closing balance	3.784.774	2.889.926

The movement of "Seniority Provision" for the periods ended 31 December 2017 and 31 December 2016 is stated below:

	1 January 31 December 2017	1 January 31 December 2016
Opening balance	866.149	797.089
Additional provision (Note 22)	99.747	285.629
Provision paid during the period	(38.931)	(216.569)
Provisions no longer required (-) (Note 22)	(199.556)	-
Closing balance	727.409	866.149

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17. OTHER ASSETS AND LIABILITIES

a. Other assets

Other current assets	31 December 2017	31 December 2016
Deferred VAT ⁽¹⁾	41.323.224	25.243.947
Job and personnel advances	522.751	1.494.910
Other current assets	1.341.091	684.801
	43.187.066	27.423.658
Other non-current assets	31 December 2017	31 December 2016
Deferred VAT ⁽²⁾	26.940.729	29.434.342
Export VAT ⁽³⁾	4.927.552	3.027.118
Other non-current assets	2.326	2.902
	31.870.607	32.464.362

⁽¹⁾ TL 14.026.528 of Deferred VAT is related with the purchases made as part of new investment in Afyon Çimento T.A.Ş. (31 December 2016: TL 13.279.264). Deferred VAT is expected to be deducted from VAT payables within one year is reclassified as other non-current assets (31 December 2016: TL 29.434.342).

⁽²⁾ Due to the new investment of Afyon Çimento T.A.Ş., the portion of VAT amounting to 26.940.729 TL will be deducted in a longer period than a year according to the estimations of the Group.

⁽³⁾ 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 2017	31 December 2016
Other short term liabilities	6.193.570	7.288.079
	6.193.570	7.288.079

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18. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2017 and 31 December 2016, the composition of shareholders is as follows:

Shareholders ^(*)	31 December 2017		31 December 2016	
	(%)	Amount	(%)	Amount
Hacı Ömer Sabancı Holding A.Ş.	49,42	66.765.208	49,42	66.765.208
Aberdeen Asset Managers Limited ^(**)	9,31	12.576.362	9,68	13.076.927
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	27,07	36.553.319	26,70	36.052.754
Nominal share capital	100	135.084.442	100	135.084.442
Inflation adjustment		41.741.516		41.741.516
Rearranged share capital		176.825.958		176.825.958

^(*) Public quotation of the Group in BIST is % 40,68 as of 31 December 2017 (31 December 2016: 41,47%).

^(**) Aberdeen Asset Management Limited holds 9,31% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2016: 9,68%).

The share capital of the Group as of 31 December 2017 consists of 135.084.442 shares (31 December 2016: 135.084.442 shares). The nominal value per share is 1 TL (31 December 2016: per share 1 TL).

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 2016 has been held on 27 March 2017, the decisions to pay TL 191.819.908 of dividend (2016: TL 201.275.819) and to allocate TL 18.506.569 of "Legal reserves" (2016: TL 19.542.160) and TL 35.692.976 "Extraordinary reserves" (2016: TL 114.413) were unanimously approved and decided to pay by 29 March 2017.

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.

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18. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

Profit Distribution (continued)

Companies should include at least the following in their profit distribution policies:

- a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
- b) Payment type of dividend distribution.
- c) 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.
- d) 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.

As of 31 December 2017 and 31 December 2016, 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 2017	31 December 2016
Legal reserves	187.026.176	168.519.607
Other capital reserves ⁽¹⁾	52.435.267	52.435.267
Extraordinary reserves	323.285.999	261.554.054
Accumulated profit due to inflation difference	227.764.716	248.652.830
Share premiums	30.131	30.131
Special funds	(13.381.575)	(4.844.261)
	777.160.714	726.347.628

⁽¹⁾ In accordance with dividend principles belonging to 2016 and approved in Ordinary General Assembly held on March 27, 2017, it is decided to allocate TL 35.692.976 of TL 210.675.947, 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.

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. 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.

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19. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017			31 December 2016		
	Fair Value			Fair value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Marketable Securities						
Forward Foreign Exchange transactions	1.108.544	-	475.452	-	-	68.816
Total short term derivative financial instruments		-	475.452	-	-	68.816
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	248.352.500	-	798.157	-	-	-
Hedging against cash flow risk						
Forward Foreign Exchange transactions	248.352.500	10.375.886	-	-	-	-
Marketable Securities						
Forward Foreign Exchange transactions	248.352.500	-	10.375.886	-	-	-
Total long term derivative financial instruments		10.375.886	11.174.043	-	-	-
Total derivative financial instruments		10.375.886	11.649.495			68.816

As of December 31, 2017, the Group has realized 55 million sell Euro buy Turkish Lira forward transaction with maturity of 5 years expired on March 29, 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

As of December 31, 2017, the Group has realized 55 million nominal value sell Turkish lira buy Euro forward transaction with maturity of 5 years expired on March 29, 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit or loss.

As of December 31, 2017, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of Eur 55 million of floating rates are replaced with fixed installment payments to hedge against cash flow risk. Changes arising from interest rate swap transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

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20. REVENUE

Sales	1 January- 31 December 2017	1 January- 31 December 2016
Domestic sales	1.092.191.085	878.219.293
Export sales	561.229.724	396.020.207
Sales discounts (-)	(37.195.060)	(25.940.380)
Other deductions (-)	(125.645.875)	(77.989.189)
	1.490.579.874	1.170.309.931
<u>Cost of Sales (-) (Not:21)</u>	(1.095.690.025)	(794.861.516)
Gross income	394.889.849	375.448.415

21. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January - 31 December 2017 and 2016 is as follows:

Cost of Sales (-)

Cost of sales	1 January- 31 December 2017	1 January- 31 December 2016
Direct material and supplies expenses	(401.630.174)	(236.929.339)
Energy costs	(347.817.990)	(268.194.690)
Other production expenses	(159.444.794)	(183.034.674)
Depreciation and amortization expenses	(79.193.926)	(56.975.398)
Direct Labor cost	(63.324.236)	(56.398.631)
Impairment (*)	-	(7.250.786)
Total production cost	(1.051.411.120)	(808.783.518)
Change in work-in-process	(15.861.240)	30.447.729
Change in finished goods	2.759.771	(1.933.984)
Inventory impairment provision (Note 9)	(130.802)	(140.077)
Cost of trade goods sold and other	(31.046.634)	(14.451.666)
	(1.095.690.025)	(794.861.516)

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21. OPERATING EXPENSES BY NATURE (continued)

The detail of general administration expenses for the periods between 1 January - 31 December 2017 and 2016 is as follows:

General administration expenses	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(33.182.695)	(32.103.237)
Consultancy expenses	(13.109.058)	(14.517.994)
Tax, duty and charges	(6.937.384)	(8.652.848)
It expenses	(3.765.772)	(4.324.289)
Retirement pay provisions	(3.316.895)	(2.663.724)
Representation expenses	(2.896.939)	(2.717.973)
Travel expenses	(2.798.197)	(2.352.637)
Rent expenses	(2.211.719)	(1.532.428)
Communication and advertising expenses	(2.097.567)	(2.910.383)
Depreciation and amortization expenses	(2.080.361)	(1.507.613)
Insurance expenses	(1.729.727)	(1.482.418)
Maintenance expenses	(713.684)	(435.948)
Other miscellaneous expenses	(4.986.883)	(4.723.220)
	(79.826.881)	(79.924.712)

The detail of marketing, selling and distribution expense for the periods between 1 January - 31 December 2017 and 2016 is as follows:

Marketing, selling and distribution expenses	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(6.046.209)	(6.109.183)
Travel expenses	(1.289.130)	(1.100.506)
Insurance expenses	(491.143)	(386.201)
Rent expenses	(464.272)	(330.316)
Consultancy expenses	(271.673)	(249.162)
Representation expenses	(230.602)	(95.764)
Depreciation and amortization expenses	(220.172)	(52.443)
Communication and advertising expenses	(112.775)	(60.383)
Other miscellaneous expenses	(1.858.219)	(1.360.449)
	(10.984.195)	(9.744.407)

The detail of research and development expenses for the periods between 1 January - 31 December 2017 and 2016 is as follows:

Research and development expenses	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(743.980)	-
Travel expenses	(239.454)	-
Depreciation and amortization expenses	(63.384)	-
Outsourced benefits and services	(58.236)	-
Rent expenses	(26.587)	-
Representation expenses	(14.399)	-
Communication and advertising expenses	(11.876)	-
Transportation expenses	(6.896)	-
Maintenance expenses	(2.225)	-
Other miscellaneous expenses	(390.419)	-
	(1.557.456)	-

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22. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gain from operating activities	45.942.983	40.096.010
Sales of scrap and miscellaneous material	3.297.395	1.425.852
Released provisions (Note 6/14/16)	1.630.117	610.570
Insurance damage compensation income	1.051.695	-
Overdue and interest income from operating activities	936.473	1.802.132
Premiums and incentives received	743.078	-
Other income	1.664.048	1.929.152
	55.265.789	45.863.716
Other operating expense	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange loss from operating activities	(14.882.739)	(11.560.324)
Provision expenses (Note 6/14/16)	(3.253.621)	(4.130.186)
Compensation and penalty expenses	(2.460.779)	(1.882.803)
Interest expense of retirement pay provision (Note 16)	(868.692)	(803.040)
Donations and grants	(129.066)	(1.206.076)
Other expenses	(6.540.339)	(5.941.903)
	(28.135.236)	(25.524.333)
23. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES		
Income from investment activities	1 January- 31 December 2017	1 January- 31 December 2016
Fixed assets sales income ^(*)	48.587.152	1.041.768
Rent income	3.198.898	2.493.172
Dividend income	19.761	18.944
	51.805.811	3.553.884
Expense from investment activities	1 January- 31 December 2017	1 January- 31 December 2016
Fixed asset sales expense	(409.865)	(2.169)
	(409.865)	(2.169)

^(*) Fixed assets sales income is related to the ongoing sale of the old factory land of Afyon, which has sales transfer transactions completed as of December 31, 2017.

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24. FINANCIAL INCOME / EXPENSE

Financial income	1 January- 31 December 2017	1 January- 31 December 2016
Interest income	2.728.922	12.746.874
Total financial income	2.728.922	12.746.874
Financial expenses	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange loss on bank borrowings	(85.858.599)	(13.354.134)
Interest expenses of bank borrowings	(13.122.788)	(21.864.858)
Other financial expenses	(3.334.410)	(1.853.507)
Total financial expenses	(102.315.797)	(37.072.499)

25. 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.

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

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

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

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

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

25. INCOME TAXES (continued)

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2017 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statement.

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 2017 and 31 December 2016, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

	31 December 2017	31 December 2016
Assets related to the current period taxes		
Prepaid taxes and funds	3.606.207	4.666.210
	3.606.207	4.666.210
Corporate tax payable		
Current period corporate tax provision	(37.674.035)	(54.612.724)
Prepaid taxes and funds (-)	28.426.344	43.410.747
	(9.247.691)	(11.201.977)

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25. INCOME TAXES (continued)

Tax expense	1 January- 31 December 2017	1 January- 31 December 2016
Current period corporate tax (expense)/income	(37.674.035)	(54.612.724)
Deferred tax (expense)/income	(10.986.875)	(2.583.959)
	(48.660.910)	(57.196.683)

Detail of deferred tax assets and liabilities of the Group as of December 31, 2017 and December 31, 2016 is as follows:

Deferred tax assets:	31 December 2017	31 December 2016
Tax losses carried forward	3.367.977	2.643.268
Provision for employee benefits	6.417.496	5.428.628
Recultivation provision	597.030	982.958
Provision for other receivables	869.614	581.721
Investment allowance	867.830	-
Provision for litigations	2.899.924	2.748.033
Fair value of derivative financial instruments	114.109	-
Inventory impairment provision	942.363	936.722
Rediscount of receivables	1.436.762	419.026
Other	3.879.430	5.309.726
	21.392.535	19.050.082
Deferred tax liabilities:		
Goodwill	(24.589.322)	(24.589.322)
Property, plant and equipment and intangible assets	(19.751.579)	(12.077.015)
Fair value of derivative instruments	(2.474.171)	(42.677)
Rediscount of payables and borrowings	(413.203)	(483.559)
	(47.228.275)	(37.192.573)
Net deferred tax asset / (liability)	(25.835.740)	(18.142.491)
	31 December 2017	31 December 2016
The balance sheet presentation of the deferred tax (assets) / liabilities		
Deferred tax (assets)	7.414.569	6.973.708
Deferred tax liabilities	(33.250.309)	(25.116.199)
	(25.835.740)	(18.142.491)

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25. INCOME TAXES (continued)

Deferred tax (assets)/ liabilities movement	31 December 2017	31 December 2016
Opening balance	18.142.491	16.311.975
Deferred tax (income)/expense	10.986.875	2.583.959
Other accounted under equity	(1.649.839)	(113.088)
Currency translation difference	(1.643.787)	(640.355)
Closing balance	25.835.740	18.142.491
	31 December 2017	31 December 2016
Tax reconciliation:		
Profit before taxation	295.945.663	306.257.063
Effective statutory income tax rate	20%	20%
Tax expense at the effective statutory income tax rate	(59.189.133)	(61.251.413)
Reconciliation of tax provision calculated with deductible:		
- Tax exemption from sale of Afyon land	9.046.046	-
- Effect of discounts under the law no 6637	4.137.050	3.290.725
- Non-deductible expenses	(476.714)	(575.924)
- Tax rate change effect (22%-20%)	1.063.138	-
- Effect of the profit from investments accounted by equity method	2.896.944	4.182.459
- Currency translation difference	(2.136.160)	-
- Other	(4.002.081)	(2.842.530)
Tax expense in the income statement	(48.660.910)	(57.196.683)

“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;

- a) 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%.
- b) 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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26. 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 2017	1 January- 31 December 2016
Number of shares	135.084.442	135.084.442
Profit attributable to equity holders of the parent - TL	228.351.942	246.019.452
Dividend per share with nominal value of 1 Kr - TL	1,6904	1,8212

Dividends distributed per share:

The dividend per share distributed in 2017 from 2016 profit is stated below:

Dividend amount distributed	191.819.908
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	1,4200

The dividend per share distributed in 2016 from 2015 profit is stated below:

Dividend amount distributed	201.275.819
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	1,4900

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.

27. 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 2017 and 31 December 2016 and the related party transactions for the years ended 31 December 2017 and 31 December 2016 are mainly as follows:

Short-term trade receivables from related parties

	31 December 2017	31 December 2016
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	3.580.368	8.726
Teknosa ⁽²⁾	5.220	-
Enerjisa Enerji A.Ş. ⁽²⁾	-	2.030
	3.585.588	10.756

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27. RELATED PARTY DISCLOSURES (continued)

Short-term trade payables to related parties

	31 December 2017	31 December 2016
Enerjisa Enerji A.Ş. ^{(2)(*)}	11.953.803	27.652.869
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	46.008	36.313
	11.999.811	27.689.182

^(*) TL 11.953.803 is commercial debt to Enerjisa Enerji A.Ş. (31 December 2016: TL 14.961.275 Enerjisa Elk Enrj.Toptan Sales Inc., TL 12.691.594 Enerjisa Electric Retail Sales Inc.)

Other payables to related parties (short term)

	31 December 2017	31 December 2016
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. ⁽²⁾	785.850	1.193.591
Aksigorta A.Ş. ⁽³⁾	85.600	23.028
Teknosa ⁽³⁾	8.907	154.199
Other	21.727	769
	902.084	1.371.587

Bank balances deposited in related parties

	31 December 2017	31 December 2016
Akbank T.A.Ş. ⁽²⁾	122.913.809	22.224.795
	122.913.809	22.224.795

Borrowings from related parties

	31 December 2017	31 December 2016
Akbank T.A.Ş. ⁽²⁾	250.154.691	135.108.940
	250.154.691	135.108.940

Sales to related parties

	1 January- 31 December 2017	1 January- 31 December 2016
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	3.026.815	13.117
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. ⁽²⁾	5.000	-
Teknosa ⁽²⁾	-	1.986
Enerjisa Enerji A.Ş. ⁽²⁾	-	14.960
	3.031.815	30.063

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27. RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

	1 January- 31 December 2017	1 January- 31 December 2016
Enerjisa Enerji A.Ş. ^{(2)(*)}	70.039.793	117.296.636
Enerjisa Üretim Santralleri A.Ş.	424.944	-
Bimsa Uluslararası İş Bilgi ve Yön. Sis. A.Ş. ⁽²⁾	3.851.779	4.271.661
Aksigorta A.Ş. ⁽³⁾	2.868.642	4.712.404
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	363.647	1.644.736
Avivasa Emeklilik ve Hayat A.Ş. ⁽³⁾	256.108	260.790
CarrefourSA ⁽³⁾	164.605	-
Teknosa ⁽²⁾	56.789	313.037
Hacı Ömer Sabancı Holding. A.Ş. ⁽¹⁾	26.188	142.565
Other	219.600	-
	78.272.095	128.641.829

^(*) TL 70.039.793 is purchases from Enerjisa Enerji A.Ş. (December 31, 2016: TL 96.307.919 and TL 20.973.767 are purchases from Enerjisa Elk. Enrj.Toptan Satış A.Ş. and Enerjisa Elektrik Perakende Satış A.Ş. respectively).

The Group is purchasing finished goods 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 2017	1 January- 31 December 2016
Akbank T.A.Ş. ^{(2)(**)}	1.609.334	12.955.789
	1.609.334	12.955.789

^(**) 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 expenses from related parties

	1 January - 31 December 2017	1 January - 31 December 2016
Akbank T.A.Ş. ⁽²⁾	(19.605.975)	(2.280.477)
	(19.605.975)	(2.280.477)

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 8.944.001 (31 December 2016 - TL 7.283.063). The salaries paid are TL 8.335.522 (31 December 2016 - TL 6.849.490) and contributions paid to Social Security Institution are TL 608.479 (31 December 2016 - TL 433.573).

⁽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.

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28. FOREIGN CURRENCY RISK

As of 31 December 2017 and 31 December 2016, the Group's foreign currency position in terms of the original currency is as follows:

	31 December 2017				31 December 2016			
	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	146.088.365	29.729.769	7.518.691	-	150.673.189	21.079.291	20.618.062	--
Monetary financial assets	57.718.303	7.440.480	6.567.059	-	6.022.527	452.155	1.184.998	8.123
Current Assets	203.806.668	37.170.249	14.085.750	-	156.695.716	21.531.446	21.803.060	8.123
TOTAL ASSET	203.806.668	37.170.249	14.085.750	-	156.695.716	21.531.446	21.803.060	8.123
Trade payables	76.566.806	17.793.169	2.093.401	-	180.782.132	35.813.318	14.739.280	15.432
Financial liabilities	380.261.200	23.000.000	65.000.000	-	86.529.285	13.000.000	10.992.125	-
Short Term Liabilities	456.828.006	40.793.169	67.093.401	-	267.311.417	48.813.318	25.731.405	15.432
TOTAL LIABILITIES	456.828.006	40.793.169	67.093.401	-	267.311.417	48.813.318	25.731.405	15.432
Off balance sheet derivative financial instruments net asset/liability position	249.461.044	293.895	55.000.000	-	-	-	-	-
Off-balance sheet derivative assets denominated in foreign currencies	(249.461.044)	(293.895)	(55.000.000)	-	-	-	-	-
NET FOREIGN CURRENCY ASSET LIABILITY POSITION	(3.560.296)	(3.329.025)	1.992.349	-	(110.615.701)	(27.281.872)	(3.928.345)	(7.309)
Net foreign currency asset / liability position for monetary items	(253.021.337)	(3.622.920)	(53.007.651)	-	(110.615.701)	(27.281.872)	(3.928.345)	(7.309)
Off-balance sheet derivative assets denominated in foreign currencies								
Net asset / liability position	(5.397.435)	(475.452)	(798.157)		-	-	-	-
Hedged foreign currency assets	(249.461.044)	(293.895)	(55.000.000)	-	(68.816)	(19.554)	-	-
Export	444.626.813	69.780.644	38.312.602	1.657.510	341.957.830	55.626.038	37.763.584	1.412.294
Import	127.747.710	24.926.463	8.955.017	9.652	174.014.119	24.604.800	23.565.300	-

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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28. FOREIGN CURRENCY RISK (continued)

The Group is mainly exposed to currency risk denominated in USD, EUR 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 2017				
1- USD net assets / liabilities	(1.366.529)	1.366.529	(1.366.529)	1.366.529
2- Hedged portion of USD risk (-)	(110.854)	110.854	(110.854)	110.854
3- USD net effect (1+2)	(1.477.383)	1.477.383	(1.477.383)	1.477.383
4- Net EUR assets/liabilities	(23.935.605)	23.935.605	(23.935.605)	23.935.605
5- Hedged portion of EUR risk (-)	24.835.250	(24.835.250)	24.835.250	(24.835.250)
6- EUR net effect (4+6)	899.645	(899.645)	899.645	(899.645)
7- Net GBP assets/liabilities	-	-	-	-
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	-	-	-	-
TOTAL (3+6+9)	(577.738)	577.738	(577.738)	577.738
	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 (-)	-	-	-	-
3- USD net effect (1+2)	(9.601.037)	9.601.037	(9.601.037)	9.601.037
4- Net EUR assets/liabilities	(1.457.377)	1.457.377	(1.457.377)	1.457.377
5- Hedged portion of EUR risk (-)	-	-	-	-
6- EUR net effect (4+6)	(1.457.377)	1.457.377	(1.457.377)	1.457.377
7- Net GBP assets/liabilities	(3.157)	3.157	(3.157)	3.157
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (9+10+11)	(3.157)	3.157	(3.157)	3.157
TOTAL (3+6+9)	(11.061.571)	11.061.571	(11.061.571)	11.061.571

Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group’s assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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28. FOREIGN CURRENCY RISK (continued)

The Group's interest rate sensitive financial instruments are as follows:

Interest position table

	31 December 2017	31 December 2016
Fixed rate instruments		
Time deposits	104.892.975	10.000.000
Loans	1.128.484.891	787.017.435
Variable rate financial instruments		
Loans (*)	248.352.500	-

(*) The Group has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan with floating interest rate.

29. AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Available for sale financial assets at fair value designated through other comprehensive income/loss:

Company	31 December 2017		31 December 2016	
	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	11.766	0,02	4.266
		64.478		56.978

30. 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 2017 and 31 December 2016 are as follows:

	Note	31 December 2017	31 December 2016
Total financial borrowings	7	1.376.837.391	787.017.435
Less: Cash and cash equivalents	5	204.303.367	32.828.414
Net debt		1.172.534.024	754.189.021
Equity		1.422.349.811	1.358.986.598
Total liabilities		2.594.883.835	2.113.175.619
Net debt / Equity ratio (%)		82	55

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

The aging of the assets that are overdue but not subject to any impairment as of 31 December 2017 is as follows:

	Receivables		Demand deposit	Derivative financial instruments	Other	Total
	Trade Receivables	Other Receivables				
31 December 2017						
Overdue 1-30 days	44.457.120	-	-	-	-	44.457.120
Overdue 1-3 months	175.987	-	-	-	-	175.987
Overdue 3-12 months	363.766	-	-	-	-	363.766
Total overdue receivables	44.996.873	-	-	-	-	44.996.873
Secured part via collateral etc.	25.208.343	-	-	-	-	25.208.343
	Receivables			Derivative financial instruments		
	Trade Receivables	Other Receivables	Demand deposit		Other	Total
31 December 2016						
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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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30. 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:

	Receivables				Bank Deposits		Derivative Financial Instruments
	Trade Receivables		Other Receivables		Related Party	Third Party	
31 December 2017	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)	3.585.588	527.175.880	-	22.924.283	122.913.809	62.704.087	10.375.886
- Secured Part of maximum credit risk exposure via collateral etc.	-	369.889.000	-	-	-	-	-
A. Net book value fo the fiancial assests that are neither overdue nor impaired (²)	3.585.588	482.179.007	-	22.924.283	122.913.809	62.704.087	10.375.886
B. Carrying amount of financial assests that are renegotiated , otherwise classified as overdue or impaired (³)	-	-	-	-	-	-	-
C. Net book value of financial assests thta are overdue but not impaired	-	44.996.873	-	18.854.399	-	-	-
- Secured part via collateral etc.	-	24.975.484	-	232.859	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	10.764.929	-	753.646	-	-	-
- Impairment (-)	-	(10.764.929)	-	(753.646)	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-Balance sheet fianancial assests 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.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c .Credit risk management (continued)

	Receivables				Bank Deposits		Derivative Financial Instruments
	Trade Receivables		Other Receivables		Related Party	Third Party	
	Related Party	Third Party	Related Party	Third Party			
31 December 2016							
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 fo the finacial assests 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 assests that are renegotiated , otherwise classified as overdue or impaired ⁽³⁾	-	-	-	-	-	-	-
C. Net book value of financial assests thta are overdue but not impaired	-	17.394.653	-	-	-	-	-
- Secured part via collateral etc.	-	1.698.723	-	-	-	-	-
D. Net book value of impaired financial assests	-	-	-	-	-	-	-
- 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 assests 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.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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30. 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 19.

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. The Group has fixed the interest rate of "1.45% + Eurlibor" variable interest rate in Euro terms with "1.45% + 0.30%"

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 2017

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	1.376.837.391	1.434.155.791	453.009.914	431.397.103	548.085.546	1.663.227
Trade Payables	290.746.264	291.544.235	291.544.235	-	-	-
Other Payables, Liabilities and Deferred Income	25.410.030	25.410.030	25.410.030	-	-	-
Total liabilities	1.692.993.685	1.751.110.056	769.964.179	431.397.103	548.085.546	1.663.227
Derivative financial liabilities						
Unrealized purchase / sale commitments (net)	475.452	475.452	-	-	475.452	-
Derivative cash entries	798.157	798.157	-	-	798.157	-
Derivative cash outflows	-	-	-	-	-	-
	1.273.609	1.273.609	-	-	1.273.609	-

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	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

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31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

The classification and fair value of the financial instruments

31 December 2017	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
<u>Financial Assets</u>								
Cash and Cash								
Equivalents	204.303.367	-	-	-	-	-	204.303.367	5
Trade Receivables	-	530.761.468	-	-	-	-	530.761.468	6
Financial Investments	-	-	64.478	-	-	-	64.478	29
Other Financial Assets	-	30.676.075	-	-	-	-	30.676.075	8/10
Derivative Financial Assets	-	-	-	-	10.375.886	-	10.375.886	19
<u>Financial Liabilities</u>								
Financial Liabilities								
Financial Liabilities	-	-	-	1.376.837.391	-	-	1.376.837.391	7
Trade Payable	-	-	-	290.746.264	-	-	290.746.264	6
Other Financial Liabilities	-	-	-	17.410.030	-	-	17.410.030	8/10/17
Derivative Financial Liabilities	-	-	-	-	-	11.649.495	-	19
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	29
Other Financial Assets	-	25.987.391	-	-	-	-	25.987.391	8/10
<u>Financial Liabilities</u>								
Financial Liabilities								
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	19

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (continued)

The classification and fair value of the financial instruments

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

As of 31 December 2017 and 31 December 2016, 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 2017	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 Assets	10.375.886		10.375.886	
Derivative Financial Liabilities	(475.452)	-	(475.452)	-
Financial Assets and Liabilities at Fair Value Through Other Comprehensive Income/Loss				
Available for Sale Financial Assets	64.478	-	-	64.478
Derivative Financial Liabilities	(11.174.043)	-	(11.174.043)	-
Total	(1.209.131)	-	(1.273.609)	64.478

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (continued)

Financial Assets and Liabilities at Fair Value	The Level of Fair Value at The Reporting Date			
	31 December 2016	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

Fair value of financial instruments

Fair value is defined as the price that collected from the sale of an asset or payable in the ordinary course of business at the measurement date between market participants.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, estimates are necessary to interpret market data to determine fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

Monetary assets

It is foreseen that cash and cash equivalent recording prices are equal to their fair value due to their short term nature.

It is foreseen that trade receivables recording prices are equal to their fair value due to their short term nature.

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
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31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (continued)

Fair value of financial instruments (continued)

Monetary liabilities

The carrying values of trade payables are estimated to reflect their fair value due to their short-term nature.

	31 December 2017	31 December 2016
Fair value difference reflects other comprehensive income / loss derivative financial assets and liabilities ⁽¹⁾	(12.370.855)	-
Total	(12.370.855)	-
	31 December 2017	31 December 2016
Fair value difference reflects over income / loss financial	10.375.886	68.816
Total	10.375.886	68.816

⁽¹⁾ Derivative instruments detailed in Note 19 consist of forward purchase / sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of December 31, 2017, the revaluation amount of the Group’s hedged transactions is TL 9.896.684, which is presented in the consolidated statement of financial position as “Derivative financial assets” and “Equity”

Fair value measurement hierarchy table

The fair value of the financial assets and liabilities is determined as follows:

- First level: Financial assets and liabilities are measured at quoted market prices on the active market for identical assets and liabilities.
- Second level: Financial assets and liabilities are valued using inputs that are used to determine directly or indirectly the marketable price of the related asset or liability other than the quoted price at the first level
- Third level: Financial assets and liabilities are valued at inputs that are not based on an observable asset in the market for the fair value of the asset or liability

32. SUBSEQUENT EVENTS

None

PROFIT DISTRIBUTION PROPOSAL AND RESULT

According to our financial statements for the accounting period between January 01, 2017 and December 31, 2017, 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 **295,945,663.00 TL**.

We hereby recommend you to resolve that **295,945,663.00 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 **228,351,942.00 TL** consolidated profit for the period of 2016, be distributed as follows,

First Dividend	6,754,222.10 TL
Second Dividend	60,787,998.90 TL
Total Gross Dividend	67,542,221.00 TL
General Legal Reserves (2 nd Distribution)	6,078,799.89 TL
Extraordinary Reserves	154,730,921.11 TL

On the basis of profit distribution according to above principles, it was decided to put aside TL 64,383,384.94 as Extraordinary Reserves, out of Net Distributable Profit for the Period amounting TL 138,004,405.83 as descended in our legal records which are prepared pursuant to the provisions of Tax Procedural Law.

Accordingly, from 2017 profit, a total dividend of TL 67,542,221.00, with a ratio of 50% (Gross), and 42.50% (Net) be distributed in cash as of March 29, 2018 to the shareholders representing TL 135,084,442.00 capital, depending on the legal status of the said shareholders.

Respectfully,

On Behalf of the Board of Directors
Chairman

Mehmet HACIKAMİLOĞLU

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. 2017 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	295,945,663.00	172,802,942.60
4.	Taxes (-)	48,660,910.00	34,798,536.77
5.	Net Profit for the Period (=)	228,351,942.00	138,004,405.83
6.	As per Statutory Records (-)	-	-
7.	General Legal Reserves (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	228,351,942.00	138,004,405.83
9.	Donations during the year (+)	129,065.55	
10.	Net Distributable Profit Including Donations	228,481,007.55	
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	60,787,998.90	
16.	General Legal Reserves (-)	6,078,799.89	
17.	Status Reserves		
18.	Special Reserves		0.00
19.	EXTRAORDINARY RESERVES	154,730,921.11	64,383,384.94
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)	SHARE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	67,542,221.00	-	48.94	0.5000	50.00
NET*	57,410,887.85	-	41.60	0.4250	42.50

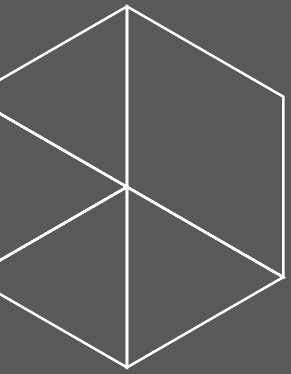
*It's assumed the tax cut as 15% when calculating the net amount.

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APPENDICES

2017 INTEGRATED ANNUAL REPORT



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Çimsa 2016-2017 Performance Tables
Independent Guarantee Declarations

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ÇİMSA 2016-2017 PERFORMANCE TABLES

ECONOMIC PERFORMANCE INDICATORS

	2016	2017
Gray Cement Production (tonne)	4,550,594	5,258,542
White Cement Production (tonne)	1,026,580	1,088,476
Calcium Aluminate Cement Production (tonne)	27,490	31,256
Aggregate Production (tonne)	-	-
Clinker Production (tonne)	5,538,570	6,101,571
Ready-Mixed Concrete Production (m³)	2,823,480	3,440,770
Gray Cement Sales (million tonne)	4,534,571	5,252,544
Bagged	893,065	815,948
Bulk	3,058,152	3,785,095
Other	583,354	651,501
White Cement Sales (million tonne)	1,059,540	1,127,240
Bagged	584,705	557,148
Bulk	474,835	570,092
Other	-	-
Clinker Sales (million tonne)	411,124	749,028
Ready-Mixed Concrete Sales (million m³)	2,823,480	3,440,770
Economic Value Generated (million TL)	1,170,41	1,490,58
Net Sales	1,170,41	1,490,58
Economic Value Distributed (million TL)		
Operating Costs	726	879
Tax Paid to the State	58	40
Dividend	201	192
Payments to Financial Institutions	60	48
Wages for Employees	98	107
Social Investments	1,2	0,1
Economic Value Retained (million TL)	29	
Financial Incentives Received From the Government (million TL)	0	4,7
Employer Contribution to the Pension Fund (million TL)	0,66	0,65
Number of Employees Participating to the Pension Plan	315	283
R&D Expenditure (TL)	890,915	522,134

ENVIRONMENTAL PERFORMANCE INDICATORS

	2016	2017
Gray Cement Raw Material Amount (tonne)		
Natural Raw Material Amount	5.363.058	5.281.727
Clinker Produced	3.962.894	3.505.108
Alternative Raw Material	123.746	65.606
Natural Additive (Additive in to cement)	551.430	499.467
Alternative Additive (Additive in to cement)	63.786	49.017
White Cement (tonne)		
Natural Raw Material Amount	991.302	1.960.569
Clinker Produced	1.222.415	1.175.858
Alternative Raw Material	115.886	108.373
Natural Additive (Additive in to cement)	105.599	105.285
Alternative Additive (Additive in to cement)	478	0
Amount of Calcium Aluminate Cement (tonne)		
Natural Raw Material	44.500	52.549
Clinker Produced	29.112	36.024
Cement Produced	28.122	31.350
Ready-Mixed Concrete (tonne)		
Fly Ash	38.870	90.176
Slag	108.910	110.748
Raw Materials Extracted From Mines (tonne)		
	6.605.061	8.745.090
Alternative Fuel (grey/tonne)		
	63.084	76.506
Alternative Fuel Consumption Rate (grey) (%)		
	8,67	8,70
Conventional Energy Consumption (grey) (TJ)		
	12.741	11.134
Alternative Energy Consumption (TJ)		
	983	1.057
Electricity Consumption (grey+white) (TJ)		
	2.302	2.117

ENVIRONMENTAL PERFORMANCE INDICATORS

	2016	2017
Amount of Electrical Energy Production from Waste Heat (mhw/year)	51,911	44,085
Amount of Electrical Energy Production from Waste Heat (TJ/year)	186,880	158,706
Reduction of Greenhouse Gas Emission Due To Electrical Energy Production from Waste Heat (ton/CO₂/year)	24,502	20,808
Total Energy Consumption (kWh)	281,349,000	252,006,000
Total Amount of Production (grey clinker ton)	3,962,894	3,505,108
Energy Density (kWh/grey clinker ton)	71,00	71,90
Amount of Scope 1 Gross Greenhouse Gas Emission (grey+white) (m ton CO₂/year)CO₂)	4,50	4,10
Grey Cementitious Specific CO₂ Emission (scope 1) (kg CO₂/ton)	729	732
Amount of Scope 2 Gross Greenhouse Gas Emission (grey+white) (ton CO₂/year)	277,338	256,853
Grey Cementitious Specific CO₂ Emission (scope 2) (kg CO₂/ton)	44	45
Amount of Scope 3 Gross Greenhouse Gas Emission (ton CO₂/year) Air Emissions	80,737	67,194
Total Dust Emissions (tonne)	98,80	93,09
Specific Dust Emissions (gr/tonne clinker)	19,10	19,89
Total NOx Emissions (tonne)	8,456.0	7,942.77
Specific NOx Emissions (gr/tonne clinker)	1,630.80	1,696.82
Total Pollutant Heavy Metal Emissions (tonne)	0,02	0,04
Specific Pollutant Heavy Metal Emissions (gr/tonne clinker)	0,005	0,01
Total Volatile Organic Compound (VOC) Emissions (tonne)	152,90	147,20
Specific Volatile Organic Compound (VOC) Emissions (gr/tonne clinker)	29,50	31,40
Total Dioxins and Furans Emissions (kg)	0,02	0,03
Specific Dioxins and Furans Emissions (ug/tonne clinker)	0,004	0,01
Total HCl (tonne)	0,80	0,39
Specific HCl (gr/tonne clinker)	0,20	0,19
Total HF (tonne)	0,80	0,39
Specific HF (gr/tonne clinker)	0,20	0,19
Total Hazardous Wastes by Disposal Method (tonne)	141	2,498
Recovery	11	109
Energy recovery	122	2.383

ENVIRONMENTAL PERFORMANCE INDICATORS

	2016	2017
Energy recovery	122	2.383
Disposal	8	6
Total Non-Hazardous Wastes by Disposal Method (tonne)	2,118	38.099
Recovery	1,687	16.681
Energy Recovery	0	19.550
Bertaraf	431	1.868
Total water volume used and discharged (m³)		
Well Water	1,708,647	1.265.093
Municipal Water	12,065	15.991
Deşarj Metoduna Göre Yıllık Atıksu Miktarı (m³)		
Discharge Point	30,798	20.147
Wastewater Channel	9,082	22.826
Recycled Water	27,463	31.450
Active Mine Site Area (ha)	526	833
Mine Site Area With Approved Rehabilitation Plan (ha)	166	167,73
Mine Sites Where the Production Has Finished (ha)	0	27,6
Rehabilitated Site Area (ha)	0	0,73
Total Packaging Used (tonne)	8,140	7.634
Packaging Waste Recovery Rate (%)	52	54
Number of Environmental Compliance Sanctions Paid (number)	1	0
Amount of Environmental Compliance Sanction Paid (TL)	49,095	0
Total Environmental Investment and Management Expenditures (TL)	10,501,699	26.798.583
Total Environmental Trainings - Number of Attendance (person)	267	83
Total Environmental Trainings - Training Hours (person*hour)	1,157	159

SOCIAL PERFORMANCE INDICATORS

	2016	2017
Injury Rate in Cement Plants		
Çimsa Employees	5.7	14.32
Female	0.00	0.00
Male	5.95	14.92
Contractor Employees	4.25	6.60
Injury Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	4.30	4.49
Female	0.00	0.00
Male	4.45	4.63
Contractor Employees	7.55	6.41
Occupational Disease Rate in Cement Plants		
Çimsa Employees	0.00	3.37
Female	0.00	0.00
Male	0.00	3.51
Contractor Employees	0.00	0.47
Occupational Disease Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	0.00	0.00
Female	0.00	0.00
Male	0.00	0.00
Contractor Employees	0.00	0.00
Lost Day Rate in Cement Plants		
Çimsa Employees	14.86	200.94
Female	0.00	0.00
Male	15.49	209.31
Contractor Employees	20.65	267.87
Lost Day Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	293.70	273.91
Female	0.00	0.00
Male	303.80	282.56
Contractor Employees	104.45	214.25
Absentee Rate in Cement Plants		
Çimsa Employees	1,362.85	1,568.72
Female	1,497.50	2,568.75
Male	900.65	1,527.04
Contractor Employees	372.3	159.87
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

EMPLOYEE DEMOGRAPHICS

	2016	2017
Total Workforce (number)		
Çimsa Employees	1.129	1.027
Female	58	54
Male	1.071	973
Contractor Employees	1.299	1.517
Female	60	75
Male	1.239	1.442
Total Workforce by Contract Type (number)		
Indefinite Term Contract	1.105	1.014
Female	55	54
Male	1.050	960
Temporary Contract	24	13
Female	3	0
Male	21	13
Total Workforce by Category (number)		
Blue Collars	644	580
Female	0	0
Male	644	580
White Collars	485	447
Female	58	54
Male	427	393
Total Workforce by Employment Type (number)		
Full time	1.129	1.027
Female	58	54
Male	1.071	973
Part time	0	0
Female	0	0
Male	0	0
Total Workforce by Education Level (number)		
No Education	0	0
Primary School	83	76
Secondary School	558	499
University and Above	488	452
Total Workforce by Age Group (number)		
18-25	63	58
26-35	480	423
36-45	447	452
46 and more	139	129
Senior Management Structure (number)		
By gender	17	16
Female	3	3
Male	14	13

EMPLOYEE DEMOGRAPHICS

	2016	2017
By Age Group		
18-25	0	0
26-35	2	1
36-45	3	5
46 and more	12	10
Citizenship		
Turkish citizens	17	16
Expat	0	0
Mid and Lower Level Management Structure (number)		
By Gender	160	150
Female	18	19
Male	142	131
By Age Group		
18-25	0	2
26-35	63	60
36-45	73	66
46 and more	24	22
Employees Hired (number)		
By Gender	128	113
Female	10	10
Male	118	103
By Age Group		
18-25	33	36
26-35	69	63
36-45	21	11
46 ve Üstü	5	3
Employees Left (number)		
By Gender	93	89
Female	7	8
Male	86	81
By Age Group		
18-25	8	5
26-35	42	46
36-45	19	18
46 and more	24	20
Disabled Employees		
Female	0	0
Male	30	26
Number of Employees Left for Prenatal Leave	2	2
Number of Employees Returned From Prenatal Leave	2	1
Number of Employees Who Didn't Leave Their Job After 12 Months to Their Return From Prenatal Leave	2	1
Workforce Covered by Collective Bargaining Agreement (number)		
Direct Employees	644	580
Contractor Employees	0	0

GRI G4 CONTENT INDEX
GRI G4 CONTENT INDEX – CORE



GENERAL STANDARD NOTIFICATIONS			
Description of General Standard	Description	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"> • Yönetim Kurulu Başkanı'nın Mesajı, Page: 2-5 • Genel Müdür'ün Mesajı, Page: 6-9 	
G4-2	Description of key impacts, risks and opportunities	Riskler ve Fırsatlar, Page: 41-43	
CORPORATE PROFILE			
G4-3	Name of the organization	Çimsa Çimento Sanayi ve Ticaret A.Ş	
G4-4	Primary brands, products and services	• Ürün Gamı, Page: 15, 52-53	
G4-5	Address of organization headquarters	Kısıklı Cad. No: 4 Sarkuysan - Ak İş Merkezi S Blok Altunizade/İstanbul-Türkey	
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"> • Yurt İçi Tesisler, Page: 16 • Yurt Dışı Terminaller, Page: 17 	
G4-7	Quality of property and legal structure	• Kurumsal Profil-Ortaklık Yapısı, Page: 13	
G4-8	Markets serviced (geographical distribution, serviced industry including type of customers and supporters)	<ul style="list-style-type: none"> • Kurumsal Profil-Ortaklık Yapısı, Page: 14 • Bir Bakışta Çimsa, Page: 14-15 	
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"> • İş Modeli-2017 Yılı Performansı, Page: 28-29 • Ekonomik Performans Göstergeleri, Page: 194 	
G4-10	Work agreement, total number of employee per region and sex	<ul style="list-style-type: none"> • Kurumsal Gelişim ve İnsan Kaynakları, Page: 65 • Çalışan Demografisi, Page: 199-200 	
G4-11	Percentage of total number of employee within the scope of collective agreement	58%	
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/tr/yatirimci-iliskileri/ozel-durum-aciklamalari/ozel-durum-aciklamalari/i-76	
G4-14	Whether organization has a precautionary approach or how does it handle precautionary principle	<ul style="list-style-type: none"> • Risk Yönetimi, İç Kontrol, Page: 98-99 • İş Etiği, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5 • İş Sağlığı ve Güvenliği, Page: 66-68 • İklim ve Enerji, Page: 69-72 	

GENERAL STANDARD NOTIFICATIONS			
Description of General Standard	Description	Explanation/Page	Excluded
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"> Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 30-31 	
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"> Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 32 	
PRIMARY FACTORS AND FRAMEWORKS DEFINED			
G4-17	a. List of all organizations included in the consolidated balance sheets or equivalent documents of organization b. Whether any of organization included in the consolidated balance sheets or equivalent documents has been excluded from report	<ul style="list-style-type: none"> Konsolide Finansal Tablolar, Page: 131, 133-134 	
G4-18	a. Process to describe report content and Factor Frames b. How does the organization implement Reporting Principles For Determining Report Content	<ul style="list-style-type: none"> Entegre Faaliyet Raporu Hakkında, Page: 1 Önceliklendirme Analizi ve Matrisi, Page: 34 	
G4-19	List of all priority factors identified in determination process of report content	Öncelikler, Page: 35	
G4-20	Factor Frame within the organization for each priority factor	Öncelikler, Page: 35	
G4-21	Factor Frame out of organization for each priority factor	Öncelikler, Page: 35	
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"> Entegre Faaliyet Raporu Hakkında, Page: 1 Çimsa continues to work on preliminary studies on sustainability practices in the supply chain, driven by developments in global sustainability trends and GRI principles. 	
G4-23	Significant changed in the framework of Scope and Factor compared to the previous reporting periods	Entegre Faaliyet Raporu Hakkında, Page: 1 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.	
PARTICIPATION OF SHAREHOLDER			
G4-24	List of shareholder groups contacted by the organization	Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 30-31	
G4-25	Basic for determination and selection of shareholders to be contacted	Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 30-31	
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	Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 30-31	

GENERAL STANDARD NOTIFICATIONS			
Description of General Standard	Description	Explanation/Page	Excluded
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	Müşteri Memnuniyeti ve Ürün Sorumluluğu, Page: 55-56	
REPORT PROFILE			
G4-28	Reporting period for the information provided (such as financial year or calendar year)	1 January 2017 - 31 December 2017/Calendar year	
G4-29	Date of last presented (the former one) report (if any)	1 January 2016 - 31 December 2016	
G4-30	Reporting frequency	Yıllık	
G4-31	Contact information for questions about report and its content	Sustainability and Process Control Directorate Neslihan ERGÜVEN Director of Sustainability and Process Control T: +90 216 554 71 00 n.erguven@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. Core b. GRI G4 Content Index, Page 201-208 c. Water footprint of Çimsa is inspected by Çimsa, Rina Services S.P.A.-Page: 202-203, Greenhouse Scope 1 and Scope 2 Emissions, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Page: 204, Financial Statements, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Page: 120-122 .	
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		
GOVERNANCE			
G4-34	Organization governance structure including highest level of governance body committees	<ul style="list-style-type: none"> • Yönetim Kurulu, Üst Yönetim, Page: 10-11 • Yönetim Kurulu Faaliyet Raporu, Page: 84-90, 97-99 	
ETHICS AND HONESTY			
G4-56	Values, principles, standards and behavior norms of organization such as code of conduct and ethics	İş Etiği, http://www.cimsa.com.tr/tr/surdurulebilirlik/is-etigi-kurallari/is-etigi-kurallari/i-5	

SPECIFIC STANDARD NOTIFICATIONS			
DMA and Indicators	Description	Explanation/Page	Excluded
CATEGORY: ECONOMIC			
FACTOR: ECONOMICAL PERFORMANCE			
G4-DMA	General notifications about management approach	<ul style="list-style-type: none"> • Yönetim Kurulu Başkanı'nın Mesajı, Page: 2-5 • Genel Müdür'ün Mesajı, Page: 6-9 	
G4-EC1	Direct economic value produced or distributed	<ul style="list-style-type: none"> • Ekonomik Performans, Page: 45-46 • Ekonomik Performans Göstergeleri, Page: 194 	
G4-EC3	Scope of comp plan liabilities of organization	Çalışanlara Sağlanan Faydalar, Page: 163-164	
G4-EC4	Financial support provided by government	Çimsa has no incentive or financial support provided by government.	
FACTOR: MARKET PRESENCE			
G4-DMA	General notifications about management approach		
G4-EC6	Local employment rate of top management in significant operation places	Çalışan Demografisi, Page: 199-200	
FACTOR: INDIRECT ECONOMIC IMPACTS			
G4-DMA	General notifications about management approach		
G4-EC7	Development and impact of substructure and supported services	Çimsa'nın Ürettiği ve Paylaştığı Değer, Page: 26-27	
G4-EC8	Significant indirect economic impacts including size of impacts	Çimsa'nın Ürettiği ve Paylaştığı Değer, Page: 26-27	
FACTOR: PURCHASE APPLICATIONS			
G4-DMA	General notifications about management approach		
G4-EC9	Rate of expenditure to local suppliers in significant operation places	Çimsa'nın Ürettiği ve Paylaştığı Değer, Page: 26-27	
CATEGORY: ENVIRONMENTAL			
FACTOR: MATERIALS			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
G4-EN2	Percentage of recycled materials used as input	<ul style="list-style-type: none"> • İklim ve Enerji, Page: 69-72 • Çevresel Performans Göstergeleri, Page: 195-197 	
FACTOR: ENERGY			
G4-DMA	General notifications about management approach	İklim ve Enerji, Page: 69-72	
G4-EN3	Energy Consumption in organization	<ul style="list-style-type: none"> • İklim ve Enerji, Page: 69-72 • Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN6	Reducing energy consumption	<ul style="list-style-type: none"> • İklim ve Enerji, Page: 69-72 • Çevresel Performans Göstergeleri, Page: 195-197 	
FACTOR: WATER			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
G4-EN8	Total draft in resource base	<ul style="list-style-type: none"> • Çevre Yönetimi, Page: 74-77 • Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN10	Percentage and total volume of recycled and reused water	<ul style="list-style-type: none"> • Çevre Yönetimi, Page: 74-77 • Çevresel Performans Göstergeleri, Page: 195-197 	

SPECIFIC STANDARD NOTIFICATIONS			
DMA and Indicators	Description	Explanation/Page	Excluded
FACTOR: BIOLOGICAL DIVERSITY			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
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	Çevre Yönetimi, Page: 77	
G4-EN13	Habitats under protection or restored	<ul style="list-style-type: none"> Çevre Yönetimi, Page: 77 Çevresel Performans Göstergeleri, Page: 195-197 	
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"> Çevre Yönetimi, Page: 77 Çevresel Performans Göstergeleri, Page: 195-197 	
FACTOR: EMISSIONS			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-75	
G4-EN15	Direct greenhouse gas (GHG) emission (Scope 1)	<ul style="list-style-type: none"> İklim ve Enerji, Page: 69-72 Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN18	Intensity of greenhouse gas (GHG) emission	<ul style="list-style-type: none"> İklim ve Enerji, Page: 69-72 Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN19	Reducing greenhouse gas (GHG) emission	<ul style="list-style-type: none"> İklim ve Enerji, Page: 69-72 Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN21	NOx, SOx and other significant air emission	<ul style="list-style-type: none"> İklim ve Enerji, Page: 69-72 Çevresel Performans Göstergeleri, Page: 195-197 	
FACTOR: SEWAGE AND WASTE			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
G4-EN22	Total water disposal in terms of quality and destination	<ul style="list-style-type: none"> Çevre Yönetimi, Page: 74-77 Çevresel Performans Göstergeleri, Page: 195-197 	
G4-EN23	Total weight of waste according to type and removal method	<ul style="list-style-type: none"> Çevre Yönetimi, Page: 74-77 Çevresel Performans Göstergeleri, Page: 195-197 	
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	<ul style="list-style-type: none"> Çevre Yönetimi, Page: 74-77 Çevresel Performans Göstergeleri, Page: 195-197 	
FACTOR: PRODUCT AND SERVICES			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
G4-EN27	Size of relieving environmental impacts of product and services	Ar-Ge ve İnovasyon, Page: 49-50	
FACTOR: GENERAL			
G4-DMA	General notifications about management approach	Çevre Yönetimi, Page: 74-77	
G4-EN31	Total environmental protection expenditure and investments according to their type	<ul style="list-style-type: none"> Çevre Yönetimi, Page: 75 Çevresel Performans Göstergeleri, Page: 195-197 	

SPECIFIC STANDARD NOTIFICATIONS			
Description of General Standard	Description	Explanation/Page	Excluded
CATEGORY: SOCIAL			
SUB-CATEGORY: WORK FORCE PRACTICES AND DECENT WORK			
FACTOR: EMPLOYMENT			
G4-DMA	General notifications about management approach	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
G4-LA1	Total number and rate of newly employed people and employee cycle according to age, sex and region	<ul style="list-style-type: none"> Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65 Çalışan Demografisi, Page: 199-200 	
G4-LA3	Back to work and tenure of office rates after maternity leave according to sex	Çalışan Demografisi, Page: 199-200	
FACTOR: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	General notifications about management approach	İş Sağlığı ve Güvenliği, Page: 66-68	
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	İş Sağlığı ve Güvenliği, Page: 66-68	
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	<ul style="list-style-type: none"> İş Sağlığı ve Güvenliği, Page: 68 Sosyal Performans Göstergeleri, Page: 198 	
G4-LA8	Headings related to health and security in scope of official agreements with syndicates	İş Sağlığı ve Güvenliği, Page: 66-68	
FACTOR: EDUCATION AND TRAINING			
G4-DMA	General notifications about management approach	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
G4-LA9	Annual average training hour per employee by sex and employee category	<ul style="list-style-type: none"> Kurumsal Gelişim ve İnsan Kaynakları, Page: 57, 61-65 Sosyal Performans Göstergeleri, Page: 198 	
G4-L10	Talent management and lifelong education programs supporting employees uninterrupted employment and helping them managing their career end	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-58, 61-65	
G4-LA11	Employee percentage passing through regular performance and career development evaluation by sex and category of employee	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57, 65	
FACTOR: DIVERSITY AND EQUALTY IN OPPORTUNITY			
G4-DMA	General notifications about management approach	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
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"> Kurumsal Gelişim ve İnsan Kaynakları, Page: 65 Çalışan Demografisi, Page: 194-196 	
SUB-CATEGORY: HUMAN RIGHTS			
FACTOR: INVESTMENT			
G4-DMA	General notifications about management approach		
G4-HR2	Total hour and percentage of employees trained on human rights policies and procedures related to human rights factors in activities	Kurumsal Gelişim ve İnsan Kaynakları, Page: 61-64	

SPECIFIC STANDARD NOTIFICATIONS			
Description of General Standard	Description	Explanation/Page	Excluded
FACTOR: PREVENTING DISCRIMINATION			
G4-DMA	General notifications about management approach	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
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	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
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	Yönetim yaklaşımı hakkında genel bildirimler	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
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	Kurumsal Gelişim ve İnsan Kaynakları, Page: 57-65	
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.	
SUB-CATEGORY: SOCIETY			
FACTOR: FIGHT AGAINST CORRUPTION			
G4-DMA	General notifications about management approach	İş Etiği, 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	İş Etiği, 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	Çimsa'nın Paydaşları, Öncelikleri ve İletişim Kanalları, Page: 30-31	
G4-SO6	Total value of political support by country and receiver/beneficiary	Çimsa does not conduct in lobbying activities on behalf of Company's interests and it does not support the individuals or groups conducting such lobbying activities.	

SPECIFIC STANDARD NOTIFICATIONS			
Description of General Standard	Description	Explanation/Page	Excluded
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
FACTOR: CUSTOMER HEALTH AND SECURITY			
G4-DMA	General notifications about management approach	Çimsa'nın Ürettiği ve Paylaştığı Değer, Page: 26-27	
G4-PR1	Percentage of significant product and service categories evaluated to improve health and security impacts	Çimsa'nın Ürettiği ve Paylaştığı Değer, Page: 26-27	
G4-PR2	Total number of events of nonconcurrency 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	Çimsa'nın Ürettiği ve Paylaştığı Değer, 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 nonconcurrency 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: 55	

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Principle	Çimsa's Approach	Section of Additional Explanations	Page No
The business world must support and respect the declared international human rights.	Çimsa constantly monitors compliance with national and international norms regulating human rights, in particular the UN Declaration of Human Rights, and is passionate about the necessary practices.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
The business world should not give opportunity to human rights violations.	Çimsa supports the protection of human rights in the business world.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
Business world must support employees' freedom to unionize and effectively define the right to collective bargaining.	Çimsa has accepted the freedom of unionization of its employees and the right to collective bargaining and is an exemplary company in Turkey in this regard. As of the date of the report, 671 blue-collar employees are included in the collective bargaining agreement. The union that the employees are affiliated with is T. Çimsa İş Union.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
The business world must prevent all forms of forced and compulsory labor.	Equality of opportunity and diversity are the building blocks of the Çimsa human resource policy. Çimsa also opposes all forms of discrimination, forced and forced labor and child labor in the world and in Turkey.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
The business world must prevent child labor.	Çimsa is against child labor and supports all initiatives taken in the business world regarding child labor.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
The business world must avoid discrimination in recruitment and work processes.	Çimsa is against discrimination in recruitment and working processes and supports the initiatives taken in the business world regarding discrimination.	Corporate Development and Human Resources	57-65
		Occupational Health and Safety	66-68
The business world must support preventive and protective approaches towards environmental problems.	Çimsa intensively works on environment-related projects and interaction with stakeholders.	Climate and Energy	69-72
		Environmental Management	74-77
The business world must support all activities and initiatives that will increase responsibility for the environment.	Çimsa supports numerous activities and events to increase awareness of environment and environmental problems in our country, and carries out projects to minimize the environmental impacts within the scope of the production cycle.	Climate and Energy	69-72
		Environmental Management	74-77
The business world should promote the development and prevalence of environmentally friendly technologies.	Çimsa supports the development and diffusion of environmentally friendly technologies by using the most up-to-date technologies widely within the scope of production and trade cycle.	Climate and Energy	69-72
		Environmental Management	74-77
The business world should fight all kinds of corruption, including bribery and extortion.	Çimsa supports full, accurate and effective fight against corruption and prevention of terrorism financing within the frame of related legislation and Company policies.	Board Of Directors Annual Report	84-117





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Communication and Legal Disclaimer
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