

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

**Financial statements as of December 31, 2012
together with report of independent auditors**

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

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Report of independent auditors

To the Shareholders of
Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi:

We have audited the accompanying financial statements of Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2012, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


January 31, 2013
İstanbul, Turkey

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Balance sheet as of December 31, 2012 (Currency – TL)

Assets	Notes	December 31, 2012	December 31, 2011
Current assets			
Cash and cash equivalents	3	143,259	155,173
Trade and other receivables	4	68,895,391	56,489,328
Inventories	5	17,980,966	20,269,151
Prepayments and other current assets	6	3,610,128	4,386,919
Total current assets		90,629,744	81,300,571
Non-current assets			
Property, plant and equipment, net	7	183,821,725	165,082,147
Intangible assets, net	8	467,606	269,431
Deferred tax asset	19	2,714,909	6,093,601
Non-current assets	9	3,641,691	4,064,656
Total non-current assets		190,645,931	175,509,835
Total assets		281,275,675	256,810,406
Liabilities and equity			
Current liabilities			
Short term borrowings	13	31,383,900	40,766,024
Current portion of long term borrowings	13	40,317,936	75,322,851
Trade and other payables	10	25,959,844	17,397,991
Other current liabilities and accrued expenses	11	8,797,302	8,714,076
Current tax liability	19	780,699	-
Total current liabilities		107,239,681	142,200,942
Non-current liabilities			
Long-term borrowings	13	88,175,813	51,357,860
Employee termination benefits	12	639,027	545,013
Total non current liabilities		88,814,840	51,902,873
Equity			
Share capital	14	76,000,000	76,000,000
Accumulated profit/(losses)		9,221,154	(13,293,409)
Total equity		85,221,154	62,706,591
Total liabilities and equity		281,275,675	256,810,406

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Comprehensive income statement for the year ended December 31, 2012 (Currency – TL)

	Notes	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Sales	18	191,647,731	172,902,405
Cost of sales	18	(146,917,788)	(127,556,422)
Gross profit		44,729,943	45,345,983
Selling and marketing expenses	18	(2,621,418)	(2,312,317)
Administrative expenses	18	(7,768,884)	(6,914,444)
Other operating income	18	9,571,882	8,409,394
Other operating expense	18	(1,716,577)	(866,533)
Profit from operations		42,194,946	43,662,083
Financial income	18	14,709,618	11,046,245
Financial expense	18	(28,063,380)	(48,816,721)
Profit before tax		28,841,184	5,891,607
Income tax	19	(6,326,621)	(839,180)
Net profit for the year		22,514,563	5,052,427
Other comprehensive income / (loss)		-	-
Total comprehensive income for the year, net of tax		22,514,563	5,052,427

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

**Statement of changes in equity
for the year ended December 31, 2012
(Currency – TL)**

	Share capital	Accumulated profit / (losses)	Total
At December 31, 2010	76,000,000	(18,345,836)	57,654,164
Other comprehensive income	-	5,052,427	5,052,427
At December 31, 2011	76,000,000	(13,293,409)	62,706,591
Other comprehensive income	-	22,514,563	22,514,563
At December 31, 2012	76,000,000	9,221,154	85,221,154

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Statement cash flows for the year ended December 31, 2012 (Currency – TL)

	Notes	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Cash flows from operating activities			
Profit before income tax		28,841,184	5,891,607
Adjustments for:			
Depreciation and amortization	7, 8	8,144,532	7,345,505
Provision for doubtful receivable	12	999,880	-
Provision for employee termination benefits		379,876	235,881
Gain on sale of property, plant and equipment		(7,514)	(11,719)
Unrealized foreign exchange losses		(4,513,229)	24,664,342
Interest expense	18	17,821,776	11,696,863
Operating profit before changes in operating assets and liabilities		51,666,505	49,822,479
Working capital changes in:			
Trade and other receivables		(13,405,943)	(12,375,461)
Inventories		2,288,185	(6,393,027)
Prepayment and other current assets		776,791	2,450,998
Non-current assets		422,966	163,075
Trade and other payables		8,561,853	2,345,061
Taxes paid		(2,167,230)	-
Other current liabilities and accrued expenses		83,226	5,411,533
Employee termination benefits paid		(285,862)	(160,593)
Net cash provided by operating activities		47,940,491	41,264,065
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	7, 8	(27,717,251)	(15,046,685)
Proceeds from property, plant and equipment disposals		642,478	646,476
Net cash used in investing activities		(27,074,773)	(14,400,209)
Cash flows from financing activities			
Proceeds from borrowings		194,776,002	161,972,149
Repayment of borrowings		(197,944,960)	(177,685,871)
Interest paid		(17,708,671)	(11,287,317)
Net cash used in financing activities		(20,877,631)	(27,001,039)
Net decrease in cash and cash equivalents		(11,913)	(137,183)
Cash and cash equivalents at beginning of the period		155,172	292,356
Cash and cash equivalents at end of the period		143,259	155,173

The accompanying policies and explanatory notes on pages 6 through 38 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements
December 31, 2012
(Currency – In TL)

1. Corporate information

General

Adoçim Çimento Beton Sanayi ve Ticaret A.Ş. (a Turkish corporation - the Company) was established in 2005 and the registered office address of the Company is Eski Büyükdere Caddesi Tahirağa Çeşme Sok. Ayazağa İş Merkezi İstanbul - Turkey.

The Company is a joint venture of Salentijn Properties (ultimate parent of which is Titan Cement Company S.A.) and Turkish resident real persons (mainly members of Sak Family (See Note 14).

The financial statements of the Company are authorized for issue by the management on January 31, 2013. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

Nature of activities of the Company

The Company is engaged in the production of clinker and cement for domestic and foreign construction markets. The Company has 3 production facilities located in Antalya, Artova-Tokat and Sultanköy-Tekirdağ.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The Company maintains its books of account and prepares its statutory financial statements ("statutory financial statements") in Turkish Lira (TL) in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from the statutory financial statements of the Company and presented in accordance with IFRS with certain adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

2.2 Functional currency and reporting currency

The functional and presentation currency of the Company is TL.

2.3 Changes in accounting policies

New and amended standards and interpretations:

The accounting policies adopted in preparation of the financial statements as at 31 December 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.3 Changes in accounting policies (continued)

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

2.3 Changes in accounting policies (continued)

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)

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

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.3 Changes in accounting policies (continued)

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Company does not expect that this standard will have an impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

2.3 Changes in accounting policies (continued)

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after January 1, 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Company does not expect that the project will have a significant impact on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:

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

IAS 16 Property, Plant and Equipment:

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

IAS 32 Financial Instruments: Presentation:

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

IAS 34 Interim Financial Reporting:

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

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.3 Changes in accounting policies (continued)

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

2.4 Summary of significant accounting policies

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using monthly weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Property and equipment

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Like wise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings and improvements	10-50 years
Machinery and equipment	4-40 years
Motor vehicles	4-7 years
Furniture and fixtures	5-20 years

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern at economic benefits from items of PPE.

All costs incurred for the construction of property, plant and equipment are capitalized and are not depreciated until the asset is ready for use.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated income statements in the year the asset is derecognized.

Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – ln TL)

2.4 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets which mainly comprise software rights and trademarks are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets are amortized on a straight line basis over their estimated useful lives which is 3 to 15 years. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that book value of property and equipment and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Company estimates the recoverable amount of such assets. When individual recoverable value of assets can not 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 analysis 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.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.4 Summary of significant accounting policies (continued)

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

Subsequent increase in the asset's (or cash generating unit) recoverable amount due to cancellation of previously impairment loss recognized cannot be higher than the previously carrying value (net of depreciation) in case had the impairment loss was not recognized. Reversal of impairment is recognized as income in the financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred 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 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 tax asset to be utilized.

Deferred 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 assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.4 Summary of significant accounting policies (continued)

Employee benefits

a) Defined benefit plan:

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

The Company has reflected a liability using the "Projected Unit Credit Method". The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate.

All actuarial gain and loss is recognized in the statement of comprehensive income at the amount that exceeds 10% of net present value of provision for employee termination benefits to be amortized in remaining years to average retirement of current employees by using corridor method in accordance with IAS 19.

In the balance sheet, employee termination benefits are reflected under non-current liabilities as a separate line.

(b) Defined contribution plans:

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

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.

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Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL) .

2.4 Summary of significant accounting policies (continued)

Fair value of financial instruments

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 faced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

Financial assets

Cash and cash equivalents

For the purposes of the presentation of cash flows statement, cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits with an original maturity of three months or less.

Notes and trade receivable

Notes and trade receivable are reflected net of unearned interest and allowance for credit losses. Allowance for credit losses are set up based on management estimation of probable losses that might result from uncollectible receivables and are measured at amortized cost using the effective interest rate method.

Impairment on financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Company's that share similar credit risk characteristics. All impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the statement of comprehensive income.

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 the expected life of the asset or in a shorter period.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.4 Summary of significant accounting policies (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 Company.

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 statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, in other words, the date the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company 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 Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Provisions

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

The amount recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.4 Summary of significant accounting policies (continued)

Related parties

Parties are considered related to the Company if;

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

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

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are stated net of discounts and value added taxes.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and using 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.

Electricity incentive income

The Company receives back from Government 40% of its electricity expenses related with Artova plant. Revenue is recognized when the electricity invoice is issued.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

2.4 Summary of significant accounting policies (continued)

Offsetting

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

Contingent asset and liabilities

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

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 Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) is explained in the relevant note.

Share capital and dividends

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

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Financial leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

2.5 Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections below, which are mainly related with provision for employee termination benefits, assessment of economic useful lives of property, plant and equipment and intangibles, and recognition of deferred tax assets.

Foreign currency transactions

Transactions in foreign currencies (currencies other than Turkish Lira) are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Foreign currency rates as of year-ends are as follows:

Buying rates	TL/USD	TL/EURO
December 31, 2012	1,7826	2,3517
December 31, 2011	1,8889	2,4438

3. Cash and cash equivalents

	2012	2011
Cash at banks	121,719	121,704
Cash on hand	21,540	33,469
	143,259	155,173

As of December 31, 2012 and 2011, cash at banks consists of demand deposits.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

4. Trade and other receivables

	2012	2011
Checks and notes receivable	39,882,477	31,412,208
Trade receivables	26,702,016	22,642,417
Electricity incentive receivables	4,810,898	3,934,823
Less: Allowance for doubtful receivables	(2,500,000)	(1,500,120)
	68,895,391	56,489,328

As at December 31, 2012 and 2011 the aging analysis of trade receivables and checks and notes receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	>1 year
2012	68,895,391	55,235,359	3,044,500	2,476,271	3,172,807	810,100	900,864	3,255,490
2011	56,489,328	46,326,087	2,383,473	519,495	182,120	2,475,081	79,500	4,523,572

As of December 31, 2012 and 2011, pledge, mortgage and letter of guarantees obtained from customers against outstanding receivables are as follows:

	2012	2011
Guarantee check	100,000	810,190
Pledge	6,039,635	4,540,122
Mortgage	14,865,250	9,925,250
Letter of guarantee	23,976,500	17,809,000
Total	44,981,385	33,084,562

Movement of allowance for doubtful receivables is as follows:

	2012	2011
At January 1	1,500,120	1,500,120
Additional provision (Note 18)	999,880	-
At December 31	2,500,000	1,500,120

5. Inventories

	2012	2011
Raw materials	5,924,089	4,610,070
Work-in-process	3,988,740	6,571,255
Finished goods	1,252,342	1,311,469
Spare parts and supplies	6,053,658	6,902,880
Packing materials and other	762,137	873,477
	17,980,966	20,269,151

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

6. Prepayments and other current assets

	2012	2011
Advances given to suppliers	2,077,335	2,383,170
Prepaid expenses	1,133,100	1,549,268
VAT receivable	368,049	437,395
Advances given to personnel	31,644	17,086
	3,610,128	4,386,919

7. Property, plant and equipment

	December 31, 2011	Additions	Transfers and reclassifications	Disposals	December 31, 2012
Cost					
Land	7,110,072	13,183,184	-	-	20,293,256
Buildings and improvements	58,293,355	2,917,513	-	-	61,210,868
Machinery and equipment	118,653,020	7,712,053	2,454,790	(708,045)	128,111,818
Vehicles	6,693,626	2,379,821	-	(21,984)	9,051,463
Furniture and fixtures	999,220	396,447	-	(19,662)	1,376,005
Construction-in-progress	2,069,305	821,352	(2,454,790)	-	435,867
	193,818,598	27,410,370 (*)	-	(749,691)	220,479,277
Less: Accumulated depreciation					
Buildings and improvements	10,108,869	2,613,605	-	-	12,722,474
Machinery and equipment	14,152,040	4,377,581	-	(81,926)	18,447,695
Vehicles	3,792,625	890,547	-	(20,519)	4,662,653
Furniture and fixtures	682,917	154,094	-	(12,281)	824,730
	28,736,451	8,035,827	-	(114,726)	36,657,552
Net book value	165,082,147				183,821,725

(*) The Company has purchased Antalya plant from Ado Madencilik A.Ş. (a related party) in 2012. The majority of the additions are related to this purchase

	December 31, 2010	Additions	Transfers and reclassifications	Disposals	December 31, 2011
Cost					
Land	7,091,658	18,414	-	-	7,110,072
Buildings and improvements	55,805,613	428,437	2,059,305	-	58,293,355
Machinery and equipment	108,121,658	62,844	10,911,196	(442,678)	118,653,020
Vehicles	6,651,522	5,344	268,653	(231,893)	6,693,626
Furniture and fixtures	944,159	1,827	53,234	-	999,220
Construction-in-progress	844,696	14,516,997	(13,292,388)	-	2,069,305
	179,459,306	15,033,863	-	(674,571)	193,818,598
Less: Accumulated depreciation					
Buildings and improvements	7,555,682	2,553,187	-	-	10,108,869
Machinery and equipment	10,481,883	3,688,472	-	(18,315)	14,152,040
Vehicles	2,932,330	881,796	-	(21,501)	3,792,625
Furniture and fixtures	538,158	144,759	-	-	682,917
	21,508,053	7,268,214	-	(39,816)	28,736,451
Net book value	157,951,253				165,082,147

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

7. Property, plant and equipment (continued)

As of December 31, 2012 there are mortgages amounting to EUR 108,000,000 on Artova and Sultanköy plants for the loan from TSKB-YKB consortium, amounting to EUR 72,000,000. Also there are second degree mortgages amounting to TL 52,000,000 on Artova and Sultanköy plant's same assets for the loan from YKB bank, amounting to TL 19,350,000 and USD 10,000,000, on Antalya Plant Euro 15,000,000 related to the loan given by Finansbank amounting to Euro 10,000,000.

8. Intangible assets

	December 31, 2011	Additions	Transfers	Disposals	December 31, 2012
Cost					
Software	504,349	306,879	-	-	811,228
Trademarks	30,000	-	-	-	30,000
Other intangibles	7,325	-	-	-	7,325
	541,674	306,879	-	-	848,553
Less: Accumulated amortization					
Software	260,974	105,586	-	-	366,560
Trademarks	8,000	2,000	-	-	10,000
Other intangibles	3,269	1,118	-	-	4,387
	272,243	108,704	-	-	380,947
Net book value	269,431				467,606

	December 31, 2009	Additions	Transfers	Disposals	December 31, 2011
Cost					
Software	493,749	10,600	-	-	504,349
Trademarks	30,000	-	-	-	30,000
Other intangibles	5,104	2,221	-	-	7,325
	528,853	12,822	-	-	541,674
Less: Accumulated amortization					
Software	186,691	74,283	-	-	260,974
Trademarks	6,000	2,000	-	-	8,000
Other intangibles	2,261	1,008	-	-	3,269
	194,952	77,291	-	-	272,243
Net book value	333,901				269,431

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

9. Non current receivables

	2012	2011
Prepaid electricity	3,297,795	3,728,697
Other	343,896	335,959
	3,641,691	4,064,656

10. Trade and other payables

	2012	2011
Trade payables	25,959,844	17,397,991
	25,959,844	17,397,991

11. Other current liabilities and accrued expenses

	2012	2011
Advances taken	6,425,942	6,254,494
Salaries and wages payable	646,486	504,257
Withholding and other taxes payable	730,767	957,858
Vacation pay liability	512,319	404,253
Social security premiums payable	197,861	361,448
Other	283,927	231,766
	8,797,302	8,714,076

12. Employee termination benefits

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 3,034 and TL 2,732 at December 31, 2012 and 2011, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements As of December 31, 2012 and 2011, the Company reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2012	2011
Discount rate (%)	8,6%	10%
Expected rate of salary / limit increase (%)	5%	5.1%

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

12. Employee termination benefits (continued)

The movement in provision for retirement pay liability recognized in the balance sheet is as follows is as follows:

	2012	2011
At January 1	545,013	469,725
Interest cost	46,871	46,973
Service cost	66,502	118,620
Paid	(285,862)	(160,593)
Actuarial loss	266,503	70,288
At December 31	639,027	545,013

13. Borrowings

				2012	
	Interest rate	Original currency		TL equivalent	Maturity
Short-term					
Short-term bank borrowings	8%-13,5%	TL	24,328,800	24,328,800	2013
	5,50%	EUR	3,000,000	7,055,100	2013
Total short-term borrowings				31,383,900	
Long-term					
Long-term bank borrowings	Eurolibor + 3,2%- 8,70%	EUR	30,515,571	71,763,467	2013-2017
	TL Libor + 5,9%	TL	25,000,000	25,000,000	2018
	6,4%	USD	17,800,00	31,730,282	2018
				128,493,749	
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	14,929,309	35,109,256	
		USD	1,800,000	3,208,680	
		TL	2,000,000	2,000,000	
				40,317,936	
Total long-term borrowings				88,175,813	

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

13. Borrowings (continued)

					2011
	Interest rate	Original currency		TL equivalent	Maturity
Short-term					
Short-term bank borrowings	7.5%-8.5%	EUR	1,425,000	3,482,415	2012
	8%-12.5%	TL	25,369,174	25,369,174	2012
	3.7%-8.65%	USD	6,307,605	11,914,435	2012
Total short-term borrowings				40,766,024	
Long-term					
Long-term bank borrowings	Euribor+2.6 –Euribor+3.8	EUR	35,222,652	86,077,117	2012-2016
	12.10%-20.16%	TL	20,201,566	20,201,566	2012
	LIBOR+3.75%-4.2%	USD	10,687,500	20,187,619	2012
Obligations under finance leases	7%-8%	EUR	87,736	214,409	2012
				126,680,711	
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	14,294,814	34,933,666	
		TL	20,201,566	20,201,566	
		USD	10,687,500	20,187,619	
				75,322,851	
Total long-term borrowings				51,357,860	

Repayment plan of the long term borrowings as of December 31, 2012 and 2011 is as follows:

	2012	2011
2012	-	75,322,855
2013	40,317,936	31,596,648
2014	29,648,155	15,688,186
2015	20,446,797	2,715,331
2016	19,140,309	1,357,691
2017	13,375,350	-
2018	5,565,200	-
Total	128,493,748	126,680,711

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

14. Share capital

As of December 31, 2012 and 2011 the Company's paid in share capital is TL 76,000,000 (historical terms) comprising 760,000 shares of TL 100 par value.

The movement of share capital from January 1, 2011 to December 31, 2011 and from January 1, 2012 to December 31, 2012 is as follows;

	Number of common shares (historical - TL)	
At January 1, 2011 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2011 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2012 (Common shares, TL100, par value)	760,000	76,000,000

As decided at the Board of Directors meeting held on December 14, 2011 the Company's shareholder structure is changed in terms of B group shares. As of February 9, 2012, the composition of shareholders and their respective % of ownership as of December 31, 2012 and December 31, 2011, is as follows:

	December 31, 2012		December 31, 2011	
	Share (%)	TL	Share (%)	TL
Salentijn properties	50,000	38,000,000	50,00	38,000,000
Cem Sak	49,984	37,988,000	25,00	19,000,000
Ado Madencilik	0,014	10,000	-	-
Yusuf Top	0,001	1,000	-	-
Başer Maden Sanayi	0,001	1,000	-	-
Mustafa Sak	-	-	24,00	18,240,000
Ali Turgut	-	-	0,25	190
Ayşe Sak	-	-	0,50	380
Gülsüm Dağyar	-	-	0,25	190
	100,00%	76,000,000	100,00%	76,000,000

15. Accumulated deficit

Accumulated deficit as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

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 Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

16. Related party disclosures

In the course of conducting its business, the Company conducted various business transactions with related parties on arm's length commercial terms. The most significant of these transactions as of December 31, 2012 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Advances taken	Purchases	Sales
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. ⁽¹⁾	20,000	525,000	-	187,818	-	22,442,173	1,617
Adopen Plastik İnşaat ve San. A.Ş.	-	-	-	-	-	-	2,937
Yurt Çimento Sanayi Ve Ticaret A.Ş. ⁽¹⁾	-	-	-	-	-	109,380	20,973
Muğla Çimento	-	-	-	23,711	-	-	950,000
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	-	-	-	-	-	-	305,577
Başer Madencilik A.Ş.	-	-	-	-	-	-	6,097
	20,000	525,000	-	211,528	-	22,551,553	338,162

	Due from Related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt.San. Tic. A.Ş. ⁽¹⁾	-	10,164
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	5,246	-
	5,246	10,164

The most significant of these transactions as of December 31, 2011 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Advances taken	Purchases	Sales
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. ⁽¹⁾	-	1,387,524	-	-	-	3,735	206,087
Ado Elektrik Enerjisi İth. ve Toptan Satış	-	-	-	-	-	11,114,589	-
Yurt Çimento Sanayi Ve Ticaret A.Ş. ⁽¹⁾	-	-	-	-	-	-	354,018
Silopi Çimento A.Ş.	-	-	-	-	1,274,402	-	328,658
Mursal Enerji Üretim San. ve Tic. A.Ş.	-	-	-	-	-	-	1,806
Al Madencilik Barit Plastik San. ve Tic. A.Ş.	-	-	-	-	-	12,071	-
Ado Enerji Üretim Sanayi ve Tic. A.Ş.	-	-	-	-	-	-	630
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	14,550	-	-	-	-	-	1,097,075
Başer Madencilik A.Ş.	-	-	-	-	-	-	11,840
Zlatna Panega Cement A.D.	-	-	-	-	-	1,648	-
	14,550	1,387,524	-	-	1,274,402	11,132,043	2,000,114

(*) Due from related parties are included in trade and other receivables.

(**) Due to related parties are included in trade and other payables.

(1) Companies controlled by shareholders of Company.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

16. Related party disclosures (continued)

	Due from Related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. ⁽¹⁾	-	674,606
Adopen Plastik İnşaat San .A.Ş. ⁽¹⁾	21,090	-
Yurt Çimento Sanayi Ve Ticaret A.Ş. ⁽¹⁾	59,590	-
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	95,928	-
Başer Madencilik A.Ş.	1,983	-
Zlatna Panega Cement A.D.	-	1,648
	178,591	676,254

(*) Due from related parties are included in trade and other receivables.

(**) Due to related parties are included in trade and other payables.

(1) Companies controlled by shareholders of Company.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2012 and 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

For the year ended December 31, 2012 compensation provided to top management of the Company is TL 503.940 (December 31, 2011 - TL 824,000).

17. Financial instruments

Financial risk management objectives and polices

The Company's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

17. Financial instruments (continued)

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in loan interest rates	Effect on loss before tax
December 31, 2012	+5% (5%)	(483,817) 483,817
December 31, 2011	+5% (5%)	(531,324) 531,324

Liquidity risk

The Company monitors its risk to a shortage of funds by considering the maturity of both its accounts receivable and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2012 and 2011 based on contractual undiscounted payments:

Year ended December 31, 2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	13,090,745	18,293,156	-	-	31,383,901
Current portion of the long term borrowings	-	9,989,951	30,327,985	-	-	40,317,936
Long term borrowings	-	-	-	88,175,813	-	88,175,813
Trade and other payables	-	-	25,959,844	-	-	25,959,844
Total	-	23,080,696	74,580,985	88,175,813	-	185,837,494

Year ended December 31, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	5,483,892	37,431,299	-	-	42,915,191
Current portion of the long term borrowings	-	21,638,299	60,614,732	-	-	82,253,031
Long term borrowings	-	-	-	54,507,057	-	54,507,057
Trade and other payables	-	-	17,397,991	-	-	17,397,991
Total	-	27,122,191	115,444,022	54,507,057	-	197,073,270

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**Notes to the financial statements (continued)**
December 31, 2012
(Currency – In TL)**17. Financial instruments (continued)****Foreign currency risk**

As of December 31, 2012 and 2011, the foreign currency position of the Company is summarized below:

Year ended December 31, 2012		Original currency	TL equivalent
Cash and cash equivalents	EUR	2,382	5,600
	USD	4,248	7,570
			13,170
Trade and other receivables	EUR	271,863	639,341
	USD	450,898	803,772
	GBP	9,750	27,990
			1,471,103
Total of assets in foreign currency			1,484,273
Short-term borrowings	EUR	(3,000,000)	(7,055,100)
			(7,055,100)
Current portion of long term bank borrowings and financial lease obligations	EUR	(14,929,309)	(35,109,256)
	USD	(1,800,000)	(3,208,680)
			(38,317,936)
Trade and other payables	EUR	(548,091)	(1,288,947)
	USD	(8,001,547)	(14,263,557)
			(12,974,610)
Long term borrowings and obligations under finance leases	EUR	(15,586,262)	(36,654,212)
	USD	(16,000,000)	(28,521,601)
			(65,175,813)
Total of liabilities in foreign currency			(123,523,459)
Net foreign currency position			(125,007,732)

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
 (Currency – In TL)

17. Financial instruments (continued)

Year ended December 31, 2011		Original currency	TL equivalent
Cash and cash equivalents	EUR	5,192	12,688
	USD	4,520	8,538
			21,226
Trade and other receivables	EUR	279,230	682,383
	USD	685,193	1,294,261
	GBP	9,750	28,441
	CHF	7,565	15,177
			2,020,262
Total of assets in foreign currency			2,041,488
Short-term borrowings	EUR	(1,425,000)	(3,482,415)
	USD	(6,307,605)	(11,914,435)
			(15,396,850)
Current portion of long term bank borrowings and financial lease obligations	EUR	(14,294,814)	(34,933,666)
	USD	(10,687,500)	(20,187,619)
			(55,121,285)
Trade and other payables	EUR	(574,262)	(1,403,381)
	USD	2,765,207	5,223,200
			3,819,819
Long term borrowings and obligations under finance leases	EUR	(21,015,574)	(51,357,860)
			(51,357,860)
Total of liabilities in foreign currency			(118,056,176)
Net foreign currency position			(116,014,688)

The following table demonstrates the sensitivity to reasonably possible changes in US Dollar and Euro exchange rates, with all other variables held constant, of the Company's loss before tax due to changes in the fair value of monetary assets and liabilities.

			Increase in foreign exchange rates	Decrease in foreign exchange rates	
December 31, 2012	US Dollar	+5%	(914.179)	(5%)	914.179
	Euro	+5%	(4,037,623)	(5%)	4,037,623
	GBP	+5%	(1,400)	(5%)	1,400
December 31, 2011	US Dollar	+5%	(1,278,803)	(5%)	1,278,803
	Euro	+5%	(4,524,113)	(5%)	4,524,113
	GBP	+5%	1,422	(5%)	(1,422)
	CHF	+5%	759	(5%)	(759)

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and trade receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company make yearly and 5 years plans considering the necessary investments and supported with a yearly cash plan submitted to the board and may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the required working capital to the Company.

Fair value of financial assets and liabilities

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

Monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year end exchange rates. The fair values of certain financial assets carried at cost are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables and other short term monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

17. Financial instruments (continued)

The carrying and fair value of the long-term borrowings as of December 31, 2012 and 2011 is as follows:

	December 31, 2012		December 31, 2011	
	Carrying value	Fair Value	Carrying value	Fair value
Long-term borrowings	128,493,748	128,493,748	126,680,711	126,680,711

18. Revenues and expenses

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Revenues		
Domestic sales	171,106,774	168,202,257
Export sales	20,540,957	4,700,148
	191,647,731	172,902,405

Cost of sales

The breakdown of cost of sales is as follows:

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Distribution cost	24,224,016	20,462,387
Variable cost	95,070,906	82,721,709
Fixed cost	12,900,393	11,415,595
Packing cost	7,160,558	4,946,409
Depreciation and amortization	7,558,157	6,895,773
Cost of trading goods external	3,758	1,114,549
Total	146,917,788	127,556,422

Selling and marketing expenses

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Salaries and related expenses	1,789,916	1,646,002
Car expenses	324,101	306,596
Travelling expenses	68,774	61,323
Other	438,627	298,396
Total	2,621,418	2,312,317

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

18. Revenues and expenses (continued)**Administrative expenses**

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Salaries and related expenses	4,767,691	4,290,646
Depreciation expenses	586,375	449,732
Cleaning and security expenses	290,549	342,381
Consultancy expenses	235,394	135,309
Telephone and post expenses	230,222	207,475
Car expenses (car rentals, maintenance, fuel)	216,996	197,441
Travelling expenses	177,875	217,857
Professional service fees and related expenses	176,405	176,220
Rent expenses	140,391	149,098
Advertising and promotion expenses	55,423	26,365
Other	891,563	721,420
Total	7,768,884	6,914,444

Personnel expenses

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Wages and salaries	11,336,559	9,967,762
Cost of defined contribution plan (employer's share of social security premiums)	1,713,398	1,597,141
Provision for employee termination benefits	379,876	235,881
	13,429,833	11,800,784

Average number of employees for the year ended December 31, 2012 is 260 (December 31, 2011 is 253).

Depreciation and amortization expenses

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Cost of sales	7,558,157	6,895,773
Administrative expenses	586,375	449,732
	8,144,532	7,345,505

Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi**Notes to the financial statements (continued)****December 31, 2012**

(Currency – In TL)

18. Revenues and expenses (continued)**Other operating income**

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Electricity incentives income	8,688,293	7,484,551
Other	883,589	924,843
	9,571,882	8,409,394

The Company receives back from Government 40% of its electricity expenses related with Artova plant. Revenue is recognized when the electricity invoice is issued.

Other operating expense

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Doubtful receivables expenses	999,880	-
Vacation pay liability	108,066	76,343
Retirement pay liability	94,014	75,288
Penalties	2,434	312,726
Other	512,183	402,176
	1,716,577	866,533

Financial income / (expense)

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Foreign exchange gains	14,709,618	11,046,245
Total financial income	14,709,618	11,046,245
Foreign exchange losses	(10,241,604)	(37,119,858)
Interest expense	(17,821,776)	(11,696,863)
Total financial expense	(28,063,380)	(48,816,721)
Financial expense, net	(13,353,763)	(37,770,476)

Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi

Notes to the financial statements (continued)
December 31, 2012
(Currency – In TL)

19. Income taxes

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Income tax	(2,947,929)	-
Deferred tax charge	(3,378,692)	(839,180)
	(6,326,621)	(839,180)

a) Current tax

The Company is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey.

In Turkey, the corporation tax rate as of December 31, 2012 is 20% (2011 – 20%). Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

15% (2011 - 15%) withholding applies to dividends distributed by resident corporations to 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 distributions by resident corporations to resident corporations are 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.

A reconciliation of income tax credit to profit before income tax is as follows:

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Profit/Loss before taxes	28,841,184	5,891,607
Tax credit at the tax rate of 20%	(5,768,237)	(1,178,321)
Effect of investment incentives	(303,493)	303,493
Non-deductible expenses	(59,350)	(100,379)
Other	(195,541)	136,027
Taxation on income per income statement	(6,326,621)	(839,180)

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued) December 31, 2012 (Currency – In TL)

19. Income taxes (continued)

A regulation related to application of investment incentive has been introduced on August 1, 2011 and the time limitation on the use of the investment allowance has been removed, meanwhile the use of investment allowance is limited with 25% of the annual income. Accordingly, the taxpayers should calculate and pay 20% of corporate tax based on the remaining, after deducting the investment incentive, 75% of pretax income. The Company had unused investment incentive amounting to TL 12,901,280 as of December 31, 2011. As of December 31, 2012, the Company has recognized this incentive.

At December 31, 2012 and 2011 the fiscal calendar years in which the carry forward tax losses of the Company will expire are as follows:

	December 31, 2012	December 31, 2011
2013	-	479,250
2014	-	190,402
	-	669,652

b) Deferred tax

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2012 and 2011 using the prevailing effective statutory tax rate is as follows:

	December 31, 2012		December 31, 2011	
	Cumulative temporary differences	Deferred tax assets / (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Unused tax losses	-	-	669,652	133,930
Effect of useful life and prorata adjustment on property, and equipment and intangibles	11,290,077	1,912,528	14,447,687	2,889,537
Provision for doubtful receivables	2,500,000	500,000	1,500,120	300,024
Provision for vacation pay liability	512,319	102,466	404,253	80,851
Provision for employee termination benefits	639,027	127,805	545,013	109,003
Discount on receivables	360,557	72,110	-	-
Investment incentives	-	-	12,901,280	2,580,256
Total deferred tax asset, net	15,301,979	2,714,909	30,468,005	6,093,601

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2012

(Currency – In TL)

19. Income taxes (continued)

The movement of deferred tax asset for the year ended December 31, 2012 and December 31, 2011 is as follows;

	2012	2011
Balance at January 1	6,093,601	6,932,781
Deferred tax (charge) / gain recognized in statement of income	(3,378,692)	(839,180)
Balance at December 31	2,714,909	6,093,601

As of December 31, 2012 and 2011, the Company's tax asset/(liability) as follows;

	2012	2011
Current year corporate tax expense	(2,947,929)	-
Prepaid tax	2,167,230	-
Tax payable	(780,699)	-

20. Commitments and contingencies

As of December 31, 2012 there are mortgages amounting to EUR 108,000,000 on Artova and Sultanköy plants for the loan from TSKB-YKB consortium, amounting to EUR 72,000,000. Also there are second degree mortgages amounting to TL 52,000,000 on Artova and Sultanköy plant's same assets for the loan from YKB bank, amounting to TL 19,350,000 and USD 10,000,000, on Antalya Plant Euro 15,000,000 related to the loan given by Finansbank amounting to Euro 10,000,000.

21. Subsequent events

None.