

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

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

**1 JANUARY - 30 SEPTEMBER 2021
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

(Amounts expressed in Turkish Lira (“TRY”), unless otherwise indicated.)

		(Not Reviewed) Current Period 30 September 2021	(Audited) Prior Period 31 December 2020
	Notes		
ASSETS			
Cash and cash equivalents	5	440,994,826	903,961,752
Trade receivables	6	775,208,659	321,765,215
<i>Trade receivables from related parties</i>	30	297,470,637	685,287
<i>Trade receivables from third parties</i>		477,738,022	321,079,928
Other receivables		1,251,344	2,489,773
<i>Other receivables from related parties</i>	30	274,140	296,267
<i>Other receivables from third parties</i>	8	977,204	2,193,506
Derivative financial instruments	22	26,261,759	42,587,851
Inventories	9	343,404,230	228,653,262
Prepaid expenses	10	181,256,706	59,158,323
Assets related to the current period taxes	28	1,558,899	200,717
Other current assets	20	36,153,582	66,663,718
Non-current assets held for sale	12	180,846,133	8,522,648
Subtotal		1,986,936,138	1,634,003,259
Assets directly associated with assets classified as held for sale	17	-	922,898,311
Current assets		1,986,936,138	2,556,901,570
Other receivables	8	4,930,002	6,398,102
<i>Other receivables from third parties</i>		4,930,002	6,398,102
Financial investments		64,478	64,478
Investments accounted under equity method	3	779,367,611	708,350,343
Derivative financial instruments	22	-	10,907,697
Property, plant and equipment	11	1,389,659,753	1,579,599,880
Right of use assets	14	16,703,797	24,879,991
Intangible assets		166,035,738	164,773,022
<i>Goodwill</i>	15	148,119,252	148,119,252
<i>Other intangible assets</i>	13	17,916,486	16,653,770
Prepaid expenses	10	14,404,448	3,067,060
Deferred tax assets	28	54,849,489	55,463,788
Other non-current assets	20	12,338,912	18,776,482
Non-current assets		2,438,354,228	2,572,280,843
TOTAL ASSETS		4,425,290,366	5,129,182,413

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

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

(Amounts expressed in Turkish Lira (“TRY”), unless otherwise indicated.)

	Notes	(Not Reviewed) Current Period 30 September 2021	(Audited) Prior Period 31 December 2020
LIABILITIES			
Short-term borrowings	7	766,110,211	1,111,893,715
Current portion of long-term borrowings	7	55,598,048	181,271,407
Short-term lease liabilities	7	22,056,225	12,755,410
Trade payables	6	527,784,211	572,397,678
<i>Trade payables to related parties</i>	30	102,034,665	96,973,610
<i>Trade payables to third parties</i>		425,749,546	475,424,068
Employee benefit obligations	19	10,354,649	8,584,985
Other payables		22,521,974	337,850,942
<i>Other payables to related parties</i>	30	1,443,256	315,454,117
<i>Other payables to third parties</i>	8	21,078,718	22,396,825
Derivative financial liabilities	22	27,009,743	42,587,972
Deferred income	10	24,994,531	11,301,698
Current income tax liability	28	26,689,352	17,061,162
Short-term provisions	16	84,701,673	37,387,985
<i>Short-term provisions for employee benefits</i>		6,500,000	7,807,614
<i>Other short-term provisions</i>		78,201,673	29,580,371
Other current liabilities	20	5,199,829	61,052,734
Subtotal		1,573,020,446	2,394,145,688
Liabilities directly associated with assets classified as held for sale	17	-	544,197,063
Current liabilities		1,573,020,446	2,938,342,751
Long-term borrowings	7	388,270,434	229,509,051
Long-term lease liabilities	7	13,853,940	25,472,916
Long-term provisions		63,623,745	52,713,682
<i>Long-term provisions for employee benefits</i>	19	58,008,862	48,258,745
<i>Other long-term provisions</i>	16	5,614,883	4,454,937
Derivative financial liabilities	22	-	12,503,741
Deferred tax liability	28	26,704,977	31,795,935
Non-current liabilities		492,453,096	351,995,325
SHAREHOLDERS' EQUITY			
Share capital	21	135,084,442	135,084,442
Adjustments to share capital	21	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		(34,370,862)	25,479,834
<i>Foreign currency translation reserve</i>		(9,814,750)	85,992,327
<i>Cash flow hedge fund</i>		(72,199,491)	(60,512,493)
<i>Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit/(loss)</i>		47,643,379	-
Other comprehensive income/expense not to be reclassified to profit or loss		(60,783,540)	9,753,120
<i>Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit/(loss)</i>		15,547,588	22,216,596
<i>Actuarial losses/gains on defined benefit plans</i>		(13,913,426)	(12,463,476)
<i>Effects of combinations of entities or businesses under common control on investments in associates accounted for using equity method</i>		(62,417,702)	-
Restricted reserves		193,104,976	193,104,976
Retained earnings		1,174,272,645	998,526,403
Net profit for the year		629,874,890	175,746,242
Equity attributable to equity holders of the parent		2,080,023,482	1,580,535,948
Non-controlling interests		279,793,342	258,308,389
Total shareholders' equity		2,359,816,824	1,838,844,337
TOTAL LIABILITIES AND EQUITY		4,425,290,366	5,129,182,413

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

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(Amounts expressed in Turkish Lira ('TRY'), unless otherwise indicated.)

OPERATING INCOME	Notes	(Not Reviewed)	(Not Reviewed*)	(Not Reviewed)	(Not Reviewed*)
		Current Period 1 January - 30 September 2021	Prior Period 1 January - 30 September 2020	Current Period 1 July - 30 September 2021	Prior Period 1 July - 30 September 2020
Revenue	23	2,532,773,081	1,343,884,674	891,064,653	489,853,870
Cost of sales (-)	24	(1,983,881,338)	(1,044,214,886)	(718,845,435)	(349,609,830)
GROSS PROFIT		548,891,743	299,669,788	172,219,218	140,244,040
General and administrative expense (-)	24	(123,429,250)	(92,581,558)	(48,462,251)	(24,199,550)
Marketing, selling and distribution expense (-)	24	(9,070,483)	(11,254,061)	(2,481,041)	(2,590,879)
Research and development expense (-)	24	(4,446,429)	(3,674,709)	(1,507,069)	(1,008,355)
Other operating income	25	204,771,963	234,434,587	47,055,468	92,770,566
Other operating expenses (-)	25	(139,052,671)	(136,762,520)	(51,278,771)	(62,750,305)
OPERATING PROFIT		477,664,873	289,831,527	115,545,554	142,465,517
Income from investment activities	26	35,335,996	23,867,629	952,887	9,949,680
Loss from investment activities	26	(2,342,466)	-	(2,342,466)	-
Profit/(loss) from investments accounted by equity method	3	95,055,095	66,709,951	(8,890,541)	36,061,246
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		605,713,498	380,409,107	105,265,434	188,476,443
Financial income	27	27,266,777	19,444,737	9,441,785	8,156,357
Financial expenses (-)	27	(164,319,473)	(243,094,447)	(39,882,379)	(86,443,725)
PROFIT BEFORE TAXATION		468,660,802	156,759,397	74,824,840	110,189,075
Tax income/(expense) from continuing operations		(93,056,164)	(11,425,725)	(18,515,992)	(12,781,489)
- Current period tax expense (-)	28	(93,479,236)	(24,068,691)	(30,859,180)	(16,976,166)
- Deferred tax income/(expense)	28	423,072	12,642,966	12,343,188	4,194,677
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		375,604,638	145,333,672	56,308,848	97,407,586
PERIOD (LOSS)/PROFIT OF DISCONTINUED OPERATIONS	17	289,639,030	(6,626,734)	-	7,064,797
NET PROFIT		665,243,668	138,706,938	56,308,848	104,472,383
Profit for the period attributable to					
- Non-controlling interests		35,368,778	3,174,928	6,897,769	6,764,405
- Equity holders of the parent		629,874,890	135,532,010	49,411,079	97,707,978
Earnings Per Share					
Earnings per share from continuing operations (Nominal amount of 1 Kr)	29	4.6628	1.0033	0.3658	0.7233
Earnings per share from discontinued operations (Nominal amount of 1 Kr)	29	2.1441	(0.0491)	-	0.0523

(*)Note.2.6

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

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021
(Amounts expressed in Turkish Lira (“TRY”), unless otherwise indicated.)

	(Not Reviewed) Current Period 1 January- 30 September 2021	(Not Reviewed*) Prior Period 1 January- 30 September 2020	(Not Reviewed) Current Period 1 July- 30 September 2021	(Not Reviewed*) Prior Period 1 July- 30 September 2020
PERIOD (LOSS)/PROFIT OF CONTINUING OPERATIONS	375,604,638	145,333,672	56,308,848	97,407,586
Other comprehensive income/expense to be reclassified to profit or loss	21,079,764	(25,485,912)	9,701,256	(20,983,090)
<i>Cash flow hedge fund</i>	(40,128,744)	(38,048,505)	17,113,923	(26,838,336)
<i>Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit/(loss)</i>	47,643,379	-	(2,389,199)	-
<i>Foreign currency translation reserve</i>	9,669,463	4,191,922	(744,987)	(49,188)
<i>Tax (expense)/income</i>	3,895,666	8,370,671	(4,278,481)	5,904,434
Other comprehensive income/expense not to be reclassified to profit or loss	(8,118,958)	(23,869,758)	4,599,429	(7,218,132)
<i>Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit/(loss)</i>	(8,892,011)	(25,087,478)	7,070,445	(7,227,442)
<i>Actuarial gains/(losses) on defined benefit plans</i>	(1,933,267)	(5,514,776)	(937,874)	(2,026,573)
<i>Tax (expense)/income</i>	2,706,320	6,732,496	(1,533,142)	2,035,883
PERIOD (LOSS)/PROFIT OF DISCONTINUED OPERATIONS	289,639,030	(6,626,734)	-	7,064,797
Other comprehensive income/expense to be reclassified to profit or loss	33,072,299	42,554,479	-	15,208,171
<i>Foreign currency translation reserve</i>	33,072,299	42,554,479	-	15,208,171
OTHER COMPREHENSIVE INCOME/(EXPENSE)	46,033,105	(6,801,191)	14,300,685	(12,993,051)
(AFTER TAX)	711,276,773	131,905,747	70,609,533	91,479,332
Total comprehensive income attributable to				
- Non-controlling interests	34,804,415	4,764,104	5,553,082	7,727,394
- Equity holders of the parent	676,472,358	127,141,643	65,056,451	83,751,938

* Note 2.6.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(Amounts expressed in Turkish Lira ('TRY'), unless otherwise indicated.)

	Other Comprehensive Income/Expense to be Reclassified to Profit or Loss						Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		Retained Earnings						
	Share capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Cash flow hedge reserve	Share of other comprehensive income of investments in associates accounted for using equity method	Share of other comprehensive income of investments in associates accounted for using equity method	Effects of combinations of entities or businesses under common control on investments in associates accounted for using 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	Total equity
1 January 2020	135,084,442	41,741,516	1,099,415	54,499,662	(39,575,608)	12,378,142	-	-	(8,924,835)	193,104,976	985,356,923	13,169,480	1,387,934,113	97,829,126	1,485,763,239
Transfer from retained earnings	-	-	-	-	-	-	-	-	-	-	13,169,480	(13,169,480)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	135,532,010	-	135,532,010	3,174,928	138,706,938
Other comprehensive income/(expense)	-	-	-	45,157,225	(29,677,834)	(19,568,233)	-	-	(4,301,525)	-	-	-	(8,390,367)	1,589,176	(6,801,191)
Total comprehensive income/(expense)	-	-	-	45,157,225	(29,677,834)	(19,568,233)	-	-	(4,301,525)	-	-	135,532,010	127,141,643	4,764,104	131,905,747
Increase (Decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,133,487	2,133,487
Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	147,000,000	147,000,000
30 September 2020	135,084,442	41,741,516	1,099,415	99,656,887	(69,253,442)	(7,190,091)	-	-	(13,226,360)	193,104,976	998,526,403	135,532,010	1,515,075,756	251,726,717	1,766,802,473
1 January 2021	135,084,442	41,741,516	1,099,415	85,992,327	(60,512,493)	22,216,596	-	-	(12,463,476)	193,104,976	998,526,403	175,746,242	1,580,535,948	258,308,389	1,838,844,337
Transfer from retained earnings	-	-	-	-	-	-	-	-	-	-	175,746,242	(175,746,242)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	629,874,890	-	629,874,890	35,368,778	665,243,668
Other comprehensive income/(expense)	-	-	-	43,306,126	(36,233,078)	(6,669,008)	47,643,379	-	(1,449,950)	-	-	-	46,597,469	(564,364)	46,033,105
Total comprehensive income/(expense)	-	-	-	43,306,126	(36,233,078)	(6,669,008)	47,643,379	-	(1,449,950)	-	-	629,874,890	676,472,359	34,804,414	711,276,773
Increase/(Decrease) due to other changes	-	-	-	-	-	-	-	(62,417,702)	-	-	-	-	(62,417,702)	-	(62,417,702)
Disposal of subsidiaries *	-	-	-	(139,113,203)	24,546,080	-	-	-	-	-	-	-	(114,567,123)	(13,319,461)	(127,886,584)
30 September 2021	135,084,442	41,741,516	1,099,415	(9,814,750)	(72,199,491)	15,547,588	47,643,379	(62,417,702)	(13,913,426)	193,104,976	1,174,272,645	629,874,890	2,080,023,482	279,793,342	2,359,816,824

* Agreements for the sale and transfer of the Group's shares of Cimsa Cementos Espana S.A.U., Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Adriatico S.R.L. to Cimsa Sabanci Cement BV were signed on 22 June 2021 and, the transfer process was completed as of 30 June 2021, following the completion of other necessary legal actions.

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021
(Amounts expressed in Turkish Lira (‘TRY’), unless otherwise indicated.)

		(Not Reviewed) Current Period 1 January-	(Not Reviewed) Prior Period 1 January
	<u>Notes</u>	30 September 2021	30 September 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		(216,990,892)	286,872,668
Profit/(loss) from continuing operations before tax		468,660,802	156,759,397
Profit/(loss) from discontinued operations before tax	17	304,377,180	(5,584,919)
Adjustments to reconcile net profit/loss for the period		(218,907,377)	243,151,165
Adjustment related to depreciation and amortization expense		98,672,570	117,943,108
Adjustment related to gain on sale of fixed assets	26	(32,993,530)	(23,867,629)
Adjustments related to retained profits of subsidiaries	3	(95,055,095)	(66,709,951)
Adjustment related to allowance for doubtful receivable		(833,222)	2,598,690
Adjustment related to provision for inventory impairment		1,369,596	969,146
Adjustment related to provision for litigations, -net	16	2,058,346	1,672,215
Adjustment related to recultivation provision	16	1,159,946	(224,917)
Fair value losses/(gains)	6	333,388	1,375,000
Adjustment related to retirement pay provision		7,874,240	6,151,465
Adjustment related to seniority provision	19	874,865	692,627
Adjustment related unpaid vacation liability		1,531,721	194,806
Adjustments for (Gains) from Disposal of Subsidiaries		(302,264,104)	-
Adjustments to employee benefits		6,500,000	3,000,000
Adjustment related to interest expense		82,395,604	118,882,988
Adjustment related to interest income		(41,746,290)	(19,821,625)
Unrealized foreign exchange (gains)/losses on financial borrowings		78,448,377	129,868,430
Adjustment related to fair value decrease/(increase) of derivative financial instruments		(27,233,789)	(29,573,188)
Changes in working capital		(692,848,270)	(91,695,230)
Short-term trade receivables		(452,943,611)	(156,422,637)
Inventories		(116,120,564)	(53,983,995)
Other receivables/current assets/prepaid expenses		(91,707,999)	(36,910,085)
Other long-term trade receivables/non-current/prepaid expenses		7,905,670	2,537,874
Short-term trade payables		(44,613,467)	78,545,456
Other short-term payables/liabilities/provisions		4,631,701	74,538,157
Cash flow from operations		(138,717,665)	302,630,413
Interest received		14,479,513	367,416
Premiums and bonuses paid		(6,437,719)	(3,307,036)
Retirement pay provision paid		(1,506,694)	(2,810,238)
Seniority provision paid	19	(376,681)	(186,834)
Vacation provision paid	19	(580,600)	(364,104)
Tax payments		(83,851,046)	(9,456,949)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(17,619,186)	(2,984,118)
Cash out flow related to purchases of tangible assets		(81,279,521)	(30,060,143)
Cash Inflows from Losing Control of Subsidiaries or Other Businesses		334,798,007	-
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(294,432,360)	-
Proceeds from sales of property, plant and equipment		36,062,442	27,325,619
Purchase of intangible assets		(1,430,366)	(249,594)
Advances given for the purchase of tangible fixed assets		(11,337,388)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		(270,556,583)	(144,088,435)
Proceeds from borrowings		744,617,186	2,082,568,544
Repayment of borrowings		(1,008,731,548)	(2,283,387,813)
Interest paid		(33,708,998)	(111,856,862)
Interest income		27,266,777	19,454,209
Cash inflows from capital increase		-	147,000,000
Other cash inflows/outflows		-	2,133,487
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		(505,166,661)	139,800,115
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	903,870,179	267,240,480
Currency translation differences (net)		42,196,063	9,782,798
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	440,899,581	416,823,393

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 SEPTEMBER 2021

(Amounts expressed in Turkish Lira ('TRY'), unless otherwise indicated.)

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 Allianz Tower Küçükbakkalköy Mah. Kayışdağı Cad. No:1 Kat:23-24 34750 Ataşehir/İstanbul.

A certain amount of the shares of the Company is traded on Borsa İstanbul A.Ş. (BIST). 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 TRY350,000,000 (31 December 2020: TRY200,000,000).

As of 30 September 2021 and 31 December 2020, the information related to the Company's subsidiaries and joint venture is as follows:

Company	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				30 September 2021	31 December 2020
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. (Cimsarom) (*)	08.02.2006	Romania	Cement sales and marketing	100%	100%
Çimsa Cement Sales North GmbH (CSN) (**)	27.06.2006	Germany	White cement marketing	-	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana) (**)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	-	100%
Çimsa Mersin Serbest Bölge Şubesi (Çimsa Mersin) (*)	12.12.2007	Mersin	Cement export	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%
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%

(*) Full consolidation method has been applied.

(**) Note 17.

Agreements for the sale and transfer of the Group's shares of Cimsa Cementos Espana SAU, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Adriatico S.R.L to Cimsa Sabancı Cement BV were signed on 22 June 2021 and the transfer process was completed as of 30 June 2021, following the completion of other necessary legal actions.

The Company's associate, Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. ('Exsa') (effective ownership: 32,875%) is consolidated by the equity method.

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1. ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Cimsa Sabancı Cement BV ("CSC ") company established with EUR87,000,000 capital in the Netherlands on 16 November 2020 with 40% participation of the Company and 60% participation of the Group's parent company Sabancı Holding A.Ş. Cimsa Sabancı Cement BV ("CSC") company is an affiliate of the Company and has been included in the consolidation by equity method with a share of 40% .

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 1 November 2021. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The average number of blue collar employees (a union member) of the Group for the year ended 30 September 2021 is 617 (2020: 629) and white collar employees (not a union member) is 464 (2020: 509) and the number of employees working in subsidiaries located abroad is 6 (2020: 54).

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'). TFRS is updated through communiqués to be inline with the changes in International Financial Reporting Standards ("IFRS").

The functional and presentation currency of the Company is Turkish Liras ('TRY').

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 TRY. 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Going Concern

The Group has prepared its consolidated financial statements in accordance with going concern principle.

2.3 Offsetting

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

2.4 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.

2.5 Summary of Significant Accounting Policies

Condensed interim consolidated financial statements have been prepared for the period ended 30 September 2021 in accordance with ('TAS') 34 'Interim Financial Reporting'. The significant accounting policies used while preparing the condensed consolidated financial statements are consistent with the accounting policies explained in detail in the consolidated financial statements as of 31 December 2020. Therefore, the interim consolidated financial statements should be evaluated together with the financial statements for the year ended 31 December 2020.

Subsidiaries

As at 30 September 2021, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries. The consolidated financial statements of the Companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with "TAS/IFRS" and the application of uniform accounting policies and presentation. Subsidiaries are all companies over which the Group has directly or indirectly control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The results of operations of the subsidiaries are included or excluded from the effective dates of the said transactions in accordance with the acquisition or disposal transactions.

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.

The financial statements of the companies included in the scope of consolidation have been consolidated through full consolidation method and the book value of the shares of the Group and its subsidiaries is deducted from the related equity. Transactions and balances between the Group and its subsidiaries are mutually eliminated within the scope of consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group until the date on which the control is transferred out of the Group. The shares of non-controlling shareholders in the net assets and operating results of subsidiaries are presented as non-controlling interest and non-controlling profit/loss, respectively, in the consolidated balance sheet and profit or loss statement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Subsidiaries

Changes in the Group's shareholding in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The book values of the Group's share and non-controlling interests are adjusted to reflect changes in share of the subsidiaries. The difference between the adjustment for non-controlling interests and the fair value of the consideration received or paid is accounted for directly in equity as the Group's share.

If the Group loses control of a subsidiary, profit/loss after sale transaction is calculated as i) the sum of the sales price received and the fair value of the remaining interest and ii) the difference between the previous book values of the assets (including goodwill) and liabilities of the subsidiary and the non-controlling interests. The amounts previously accounted for in other comprehensive income related to the subsidiary and collected in equity are recorded according to the accounting method to be used on the assumption that the Company has sold the relevant assets (for example, in accordance with the relevant TFRS standards, transfer to profit / loss or directly transfer to retained earnings). If the subsidiary has an investment remaining after the sale, its fair value at the date of loss of control is accepted as fair value in the initial recognition under TFRS 9 Financial Instruments or, where applicable, as the cost in the initial recognition of an investment in an associate or jointly controlled entity.

Associates

Investments in associates are accounted by equity method. These are entities in which the Group has significant influence, but not control, over company activities. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, and unrealized losses are also eliminated if the transaction does not indicate that the transferred asset is impaired. The Group has not taken any obligation or made any commitment regarding its Subsidiaries. The associate of the Group are Exsa and Cimsa Sabancı Cement BV.

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 require 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 and Cimsa Sabancı Cement BV'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.

The Group has not taken any obligation or made any commitment regarding its associates.

It has been decided to sell all of the assets of the Group's subsidiaries that undertake white cement operations abroad to a company to be established together with Sabancı Holding, and within this framework Cimsa Sabancı Cement BV ("CSC ") is established with EUR87,000,000 capital in the Netherlands on 16 November 2020 with 40% participation of the Company and 60% participation of the Group's parent company Sabancı Holding A.Ş. . Cimsa Sabancı Cement BV ("CSC") company is an affiliate of the Company and has been included in the consolidation by equity method with a share of 40% .

Sale of 100% of Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Cementos Espana SAU and 70% of Cimsa Adriatico SRL's shares to CSC BV 30 June 2021 and as of the same date, the Group has lost its control over the aforementioned subsidiaries.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Associates (Continued)

Since CSC BV purchased the aforementioned companies, the related transaction realised between companies under common control and it was a capital reorganization transaction under the umbrella of Sabancı Holding, this transaction in CSC BV is considered as “business combinations under common control” in line with the relevant regulations of POA. The assets and liabilities of these companies acquired by CSC BV are the carrying values of Sabancı Holding, the parent holding joint control, in the consolidated statement of financial position prepared in accordance with TFRS. In order to eliminate the asset-liability mismatch in the financial statements of CSC BV due to the business combination under common control, the difference between the book value of the net assets of the acquired business at the acquisition date and the transferred price is accounted for in the financial statements of CSC BV as a factor reducing the equity. The effect of the accounting in question has been consolidated to the Group's consolidated financial statements for using equity method and presented under the item “Effects of combinations of entities or businesses under common control on investments in associates accounted for using equity method”.

Foreign currency transactions

The Company and its subsidiaries translate the transactions in foreign currencies during the period at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end and exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the consolidated statement of profit or loss. Non-monetary items carried at cost that are denominated in foreign currencies are translated at the rates on the initial transaction date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to profit or loss. The Group has transferred the effect of net investment hedge in equity to the financial income and expenses account together with the share sale transaction resulting in the loss of control of the subsidiaries, and associated it with the consolidated statement of profit or loss.

Foreign currency translation rates used as of respective period-ends are as follows:

Date	30 September 2021	31 December 2020
USD (“USD”)/TRY	8.8433	7.3405
EUR (“EUR”)/TRY	10.3135	9.0079
RUB (“RUB”)/TRY	0.1209	0.0984
RON(“RON”)/TRY	2.0724	1.8373
Sterlin (“GBP”)/TRY	11.9292	9.9438

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions (Continued)

Foreign currency average rates used in the consolidated financial statements are as follow:

Date	2021	2020
USD/TRY	8.1422	6.7339
EUR/TRY	9.7455	7.6131
RUB/TRY	0.1093	0.0941
RON/TRY	1.9726	1.5670
GBP/TRY	11.2283	8.5767

2.6 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.

Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies the fixed asset (or the asset group to be disposed of) as for sale if the carrying amount of an asset or group of assets is to be recovered through the sale transaction rather than the continuing use. In order for this situation to be valid; the related asset should be in a condition that is frequently encountered in the sale of such assets and can be immediately sold under customary conditions and the sales probability should be high. The Group measures the non-current asset group classified as held for sale at the lower of its book value and fair value less costs to sell and presents the related asset under current assets since it predicts that the sale will occur within a highly probable year (Note 17). Depreciation process for tangible and intangible fixed assets within this asset group is stopped as of the relevant classification date. Discontinued operations related to the said asset group are presented in the period profit/loss, and the presented transactions and the corrections regarding these transactions are defined and classified as transactions that will not be in the financial statements after the sale transaction takes place.

With reference to profit or loss for the period from discontinued operations, (i) After-tax profit or loss of discontinued operations and pre-tax gain or loss recognized on the disposal of the asset or group of assets constituting the discontinued operations are presented individually (Note 17).

The transfer of the Company's white cement operations abroad to a company to be established in partnership with Sabancı Holding and it was decided that the said purchase will be made through this newly established subsidiary and Within this framework establish as of 16 December 2020, a new company named Cimsa Sabancı Cement BV (CSC BV), located in the Netherlands with a capital of 87.000.000 EUR with 40% participation of the Group and 60% participation of the Group's parent company Sabancı Holding A.Ş.

As stated in the KAP statement dated 1 October 2020, It has been decided to sell all of the assets of the Group's subsidiaries that undertake white cement operations abroad, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Cementos Espana SAU, and 70% of Cimsa Adriatico SRL's shares that Çimsa owned to CSC BV to be established in the Netherlands. Subsidiaries of the Group, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Cementos Espana SAU, Cimsa Adriatico SRL, are classified as “Assets Classified as Held for Sale and Discontinued Operations as assets held for sale in accordance with the TFRS 5 Standard. In this context, 1 January - 30 September 2020 and 1 July – 30 September 2020 consolidated statement of profit or loss was restated.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information (Continued)

Reconciliation of profit or loss statement for the period 1 January- 30 September 2020:	(Not Reviewed) Prior period 1 January- 30 September 2020	Adjustment effect *	Not Revised financial statements 1 January- 30 September 2020
Revenue	1,631,927,700	(288,043,026)	1,343,884,674
Cost of sales (-)	(1,293,086,494)	248,871,608	(1,044,214,886)
GROSS PROFIT	338,841,206	(39,171,418)	299,669,788
General and administrative expense (-)	(127,070,253)	34,488,695	(92,581,558)
Marketing, selling and distribution expense (-)	(12,635,434)	1,381,373	(11,254,061)
Research and development expense (-)	(3,674,709)	-	(3,674,709)
Other operating income	248,961,102	(14,526,515)	234,434,587
Other operating expenses (-)	(147,783,029)	11,020,509	(136,762,520)
OPERATING PROFIT	296,638,883	(6,807,356)	289,831,527
Income from investment activities	24,935,039	(1,067,410)	23,867,629
Loss from investment activities	(1,067,410)	1,067,410	-
Profit/(loss) from investments accounted by equity method	66,709,951	-	66,709,951
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	387,216,463	(6,807,356)	380,409,107
Financial income	19,454,209	(9,472)	19,444,737
Financial expenses (-)	(255,496,194)	12,401,747	(243,094,447)
Profit/(loss) from continuing operations before tax	151,174,478	5,584,919	156,759,397
Continuing operations tax (expense)/income	(12,467,540)	1,041,815	(11,425,725)
Current period tax expense	(26,583,351)	2,514,660	(24,068,691)
Deferred tax income/(expense)	14,115,811	(1,472,845)	12,642,966
Profit/(loss) for the period from continuing operations	138,706,938	6,626,734	145,333,672
Discontinued Operations Period (loss)/profit	-	(6,626,734)	(6,626,734)
Profit/(loss) for the period attributable to			
- Non-controlling interests	3,174,928	-	3,174,928
- Equity holders of the parent	135,532,010	-	135,532,010
Earnings per share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	1.0033	-	1.0033
Earnings per share			
Earnings per share from discontinued operations (Nominal amount of 1 Kr)	-	(0.0491)	(0.0491)

(*).Includes the effect of subsidiaries classified for sale.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Comparative Information (Continued)

Reconciliation of profit or loss statement for the period 1 July- 30 September 2020:	(Not Reviewed) Prior period 1 July- 30 September 2020	Adjustment effect *	Revised financial statements 1 July- 30 September 2020
Revenue	660,135,012	(170,281,142)	489,853,870
Cost of sales (-)	(494,360,810)	144,750,980	(349,609,830)
GROSS PROFIT	165,774,202	(25,530,162)	140,244,040
General and administrative expense (-)	(35,981,659)	11,782,109	(24,199,550)
Marketing, selling and distribution expense (-)	(3,052,468)	461,589	(2,590,879)
Research and development expense (-)	(1,008,355)	-	(1,008,355)
Other operating income	99,410,829	(6,640,263)	92,770,566
Other operating expenses (-)	(68,821,686)	6,071,381	(62,750,305)
OPERATING PROFIT	156,320,863	(13,855,346)	142,465,517
Income from investment activities	10,914,433	(964,753)	9,949,680
Loss from investment activities	(964,753)	964,753	-
- Profit/(loss) from investments accounted by equity method	36,061,246	-	36,061,246
OPERATING PROFIT BEFORE FINANCIAL	202,331,789	(13,855,346)	188,476,443
Financial income	8,159,845	(3,488)	8,156,357
Financial expenses (-)	(90,455,452)	4,011,727	(86,443,725)
Profit/(loss) from continuing operations before tax	120,036,182	(9,847,107)	110,189,075
Continuing operations tax (expense)/income	(15,563,798)	2,782,309	(12,781,489)
Current period tax expense	(18,035,906)	1,059,740	(16,976,166)
Deferred tax income/(expense)	2,472,108	1,722,569	4,194,677
Profit/(loss) for the period from continuing operations	104,472,384	(7,064,798)	97,407,586
Discontinued Operations Period (loss)/profit	-	7,064,797	7,064,797
Profit/(loss) for the period attributable to			
- Non-controlling interests	6,764,405	-	6,764,405
- Equity holders of the parent	97,707,978	-	97,707,978
Earnings per share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	0,7233	-	0,7233
Earnings per share			
Earnings per share from discontinued operations (Nominal amount of 1 Kr)	-	0,0523	0,0523

(*).Includes the effect of subsidiaries classified for sale.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Additional Disclosures Regarding the Current Period

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the whole world, on the Group's activities and financial status. Meanwhile, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and stocks, and the cash management strategy was revised to strengthen its liquidity position.

While preparing the consolidated financial statement dated 30 September 2021, the possible effects of the COVID-19 outbreak were evaluated, and the estimates and assumptions used in the preparation of the consolidated financial statement were reviewed. In this context, the Group tested possible impairments in the financial assets in the consolidated financial statements dated 30 September 2021, and no impairment was found.

2.8 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at 30 September 2021 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 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a. *New standards effective as of 30 September 2021 and amendments and interpretations on existing previous standards:*

Explanations on the effects of the new TAS/IFRS on the financial statements:

- a) the title of TAS/IFRS.
- b) the change in accounting policy has been made in accordance with the relevant transitional provisions, if any.
- c) an explanation of the change in accounting policy.
- d) an explanation of the transitional provisions, if any.
- e) the possible effects of the transitional provisions on future periods.
- f) as far as possible, the amount of adjustments related to the current and each previous period presented.
 - i. be presented for each financial statement item affected; and
 - ii. if the "TAS 33. Earnings Per Share" standard is valid for the company, ordinary share and diluted earnings per share should be recalculated.
- g) if possible, the amount of adjustment for periods before the periods not presented; and if retrospective application is not possible for any period or periods, the events that led to this situation should be disclosed and the date and how the change in accounting policy was applied should be explained.
 - **Amendment to IFRS 16. 'Leases' - Covid-19 related rent concessions;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8 The New Standards. Amendments and Interpretations (Continued)

- **Amendments to IFRS 7. IFRS 4 and IFRS 16. 'Interest Rate' Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms. including the replacement of one benchmark with an alternative one.
- b. *Standards. amendments and interpretations that are issued but not effective as at 30 September 2021:*
 - **Amendments to IAS 1. Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1. 'Presentation of financial statements'. clarify that liabilities are classified as either current or non-current. depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example. the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
 - **A number of narrow-scope amendments to IFRS 3. IAS 16. IAS 37 and some annual improvements on IFRS 1. IFRS 9. IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3. 'Business combinations';** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16. 'Property. plant and equipment';** prohibit a company from deducting from the cost of property. plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead. a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37. 'Provisions. contingent liabilities and contingent assets';** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Narrow scope amendments to IAS 1. Practice statement 2 and IAS 8 ;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8 The New Standards, Amendments and Interpretations (Continued)

- **Amendments to IAS 12, 'Change in deferred tax on assets and liabilities arising from a single transaction'**, effective from annual periods beginning on or after 1 January 2023. The amendments require deferred tax recognition on transactions that cause equal amounts of taxable and deductible temporary differences when first recognized by companies.

2.9 Significant accounting judgments and estimates

- a) Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The Group also uses the simplified approach in IFRS 9 to calculate expected credit losses of trade receivables. This method requires the recognition of expected credit losses for all trade receivables (Note 6).
- b) 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 15).

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3. SHARES IN AFFILIATED UNDERTAKINGS

The assets and liabilities of Exsa and CSC, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 30 September 2021 and 31 December 2020 and revenue, expense and net profit for the periods ending 30 September 2021 and 30 September 2020 are as follows:

<u>Investments</u>	<u>Country</u>	<u>Main operating activity</u>	<u>Effective ownership (%)</u>	<u>30 September 2021</u>	<u>Effective ownership (%)</u>	<u>31 December 2020</u>
				<u>Carrying net book value</u>		<u>Carrying net book value</u>
Exsa	Turkey	Investment property and financial instruments	32.9	474,694,531	32.9	394,562,223
CSC	Netherland	Cement production and sale	40.0	304,673,080	40.0	313,788,120
				779,367,611		708,350,343

<u>Exsa</u>	<u>30 September 2021</u>	<u>31 December 2020</u>
Assets	1,732,972,648	1,422,043,269
Liabilities	(289,034,912)	(221,854,000)
Net assets	1,443,937,736	1,200,189,269
Group's share	474,694,531	394,562,223

<u>Exsa</u>	<u>1 January-30 September 2021</u>	<u>1 January-30 September 2020</u>	<u>1 July-30 September 2021</u>	<u>1 July-30 September 2020</u>
Revenues	1,104,497,704	1,026,370,938	251,100,734	649,774,938
Expenses	(834,647,358)	(823,450,935)	(198,229,038)	(540,082,935)
Net profit for the period	269,850,346	202,920,003	52,871,696	109,692,003
Group's share in net profit	88,713,301	66,709,951	17,381,569	36,061,246

<u>CSC</u>	<u>30 September 2021</u>	<u>31 December 2020</u>
Assets	2,911,896,088	784,470,301
Liabilities	(2,150,213,389)	-
Net assets	761,682,699	784,470,301
Group's share	304,673,080	313,788,120

<u>CSC</u>	<u>1 January-30 September 2021</u>	<u>1 January-30 September 2020</u>	<u>1 July-30 September 2021</u>	<u>1 July-30 September 2020</u>
Revenues	637,556,365	-	528,499,305	-
Expenses	(621,701,881)	-	(594,179,582)	-
Net profit for the period	15,854,484	-	(65,680,277)	-
Group's share in net profit	6,341,794	-	(26,272,110)	-

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3. SHARES IN AFFILIATED UNDERTAKINGS (Continued)

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

Subsidiary	30 September 2021			
	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	39,213,242	32,377,303	-
Subsidiary	31 December 2020			
	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	8,361,392	24,015,911	-

Condensed financial information of subsidiary Afyon Çimento T.A.Ş.. is as follows:

Condensed balance sheet information (Before consolidation)

	30 September 2021	31 December 2020
Cash and cash equivalents	462,700	32,350,004
Other current assets	153,760,283	104,120,416
Non-current assets	551,416,622	569,124,217
Total assets	705,639,605	705,594,637
Short term borrowings	54,477,440	92,916,154
Other current liabilities	65,273,999	88,861,486
Long term borrowings	-	18,833,499
Other non-current liabilities	15,366,926	14,301,105
Total liabilities	135,118,365	214,912,244
Total equity	570,521,240	490,682,393

Condensed income statement information

	1 January-30 September 2021	1 January-30 September 2020	1 July -30 September 2021	1 July -30 September 2020
Revenue	297,142,770	197,786,283	98,081,559	75,576,821
Gross profit	55,223,223	18,184,303	18,114,931	10,246,203
Operating profit/(loss)	49,922,758	15,220,863	15,150,696	10,932,166
Net financial income/(expense)	(7,099,767)	(33,094,494)	(1,839,694)	(4,809,273)
Profit/(loss) before tax	82,706,348	(7,247,429)	13,311,002	6,713,636
Net profit for the period	80,027,025	1,720,827	14,110,797	9,797,601

Condensed cash flow information

	1 January-30 September 2021	1 January-30 September 2020
Cash flows from operating activities	6,814,341	38,201,487
Cash flows from investing activities	24,627,664	9,606,583
Cash flows from financing activities (excluding dividend)	(63,329,309)	(38,661,398)
Net increase/(decrease) in cash and cash equivalents	(31,887,304)	9,146,672

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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 IFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the periods ended 30 September 2021 and 30 September 2020, 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 30 September 2021 and 31 December 2020.

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4. SEGMENT REPORTING (Continued)

1 January – 30 September 2021	Cement	Ready-mix concrete	Total
Revenue	2,256,731,252	276,041,829	2,532,773,081
Cost of sales (-)	(1,743,558,505)	(240,322,833)	(1,983,881,338)
Gross profit/(loss)	513,172,747	35,718,996	548,891,743
General administrative.marketing selling distribution expenses (-)	(114,938,981)	(17,560,752)	(132,499,733)
Other operating income/(expenses) (-). net	65,550,580	168,712	65,719,292
Research and development expenses (-)	(4,446,429)	-	(4,446,429)
Operating profit/(loss)	459,337,917	18,326,956	477,664,873
Income from investment activities. net	32,993,530	-	32,993,530
Profit/(loss) from investments accounted by equity method	95,055,095	-	95,055,095
Operating profit before financial income/(expense)	587,386,542	18,326,956	605,713,498
Financial income/(expense). net	(137,052,696)	-	(137,052,696)
Profit/(loss) from continuing operations before tax	450,333,846	18,326,956	468,660,802
Continuing operations tax (expense)/income	(93,056,164)	-	(93,056,164)
Current period tax expense (-)	(93,479,236)	-	(93,479,236)
Deferred tax income/(expense)	423,072	-	423,072
Profit/(loss) for the period from continuing operations	357,277,682	18,326,956	375,604,638
Discontinued Operations Period (loss)/profit	289,639,030	-	289,639,030

1 January – 30 September 2020	Cement	Ready-mix concrete	Total
Revenue	1,152,799,232	191,085,442	1,343,884,674
Cost of sales (-)	(859,693,254)	(184,521,632)	(1,044,214,886)
Gross profit/(loss)	293,105,978	6,563,810	299,669,788
General administrative.marketing selling distribution expenses (-)	(95,201,091)	(8,634,528)	(103,835,619)
Other operating income/(expenses) (-). net	96,811,339	860,728	97,672,067
Research and development expenses (-)	(3,674,709)	-	(3,674,709)
Operating profit/(loss)	291,041,517	(1,209,990)	289,831,527
Income from investment activities. net	23,867,629	-	23,867,629
Profit/(loss) from investments accounted by equity method	66,709,951	-	66,709,951
Operating profit before financial income/(expense)	381,619,096	(1,209,989)	380,409,107
Financial income/(expense). net	(223,649,710)	-	(223,649,710)
Profit/(loss) from continuing operations before tax	157,969,386	(1,209,989)	156,759,397
Continuing operations tax (expense)/income	(11,425,725)	-	(11,425,725)
Current period tax expense (-)	(24,068,691)	-	(24,068,691)
Deferred tax income/(expense)	12,642,966	-	12,642,966
Profit/(loss) for the period from continuing operations	146,543,661	(1,209,989)	145,333,672
Discontinued Operations Period (loss)/profit	(6,626,734)	-	(6,626,734)

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4. SEGMENT REPORTING (Continued)

1 July – 30 September 2021	Cement	Ready-mix concrete	Total
Revenue	779,024,230	112,040,423	891,064,653
Cost of sales (-)	(624,866,320)	(93,979,115)	(718,845,435)
Gross profit/(loss)	154,157,910	18,061,308	172,219,218
General administrative.marketing selling distribution expenses (-)	(43,769,312)	(7,173,980)	(50,943,292)
Other operating income/(expenses) (-). net	(4,322,651)	99,348	(4,223,303)
Research and development expenses (-)	(1,507,069)	-	(1,507,069)
Operating profit/(loss)	104,558,878	10,986,676	115,545,554
Income from investment activities. net	(1,389,579)	-	(1,389,579)
Profit/(loss) from investments accounted by equity method	(8,890,541)	-	(8,890,541)
Operating profit before financial income/(expense)	94,278,758	10,986,676	105,265,434
Financial income/(expense). net	(30,440,594)	-	(30,440,594)
Profit/(loss) from continuing operations before tax	63,838,164	10,986,676	74,824,840
Continuing operations tax (expense)/income	(18,515,992)	-	(18,515,992)
Current period tax expense (-)	(30,859,180)	-	(30,859,180)
Deferred tax income/(expense)	12,343,188	-	12,343,188
Profit/(loss) for the period from continuing operations	45,322,172	10,986,676	56,308,848
Discontinued Operations Period (loss)/profit	-	-	-

1 July – 30 September 2020	Cement	Ready-mix concrete	Total
Revenue	415,216,540	74,637,330	489,853,870
Cost of sales (-)	(280,750,167)	(68,859,663)	(349,609,830)
Gross profit/(loss)	134,466,373	5,777,667	140,244,040
General administrative.marketing selling distribution expenses (-)	(23,968,158)	(2,822,271)	(26,790,429)
Other operating income/(expenses) (-). net	29,681,239	339,022	30,020,261
Research and development expenses (-)	(1,008,355)	-	(1,008,355)
Operating profit/(loss)	139,171,099	3,294,418	142,465,517
Income from investment activities. net	9,949,680	-	9,949,680
Profit/(loss) from investments accounted by equity method	36,061,246	-	36,061,246
Operating profit before financial income/(expense)	185,182,024	3,294,419	188,476,443
Financial income/(expense). net	(78,287,368)	-	(78,287,368)
Profit/(loss) from continuing operations before tax	106,894,656	3,294,419	110,189,075
Continuing operations tax (expense)/income	(12,781,489)	-	(12,781,489)
Current period tax expense (-)	(16,976,166)	-	(16,976,166)
Deferred tax income/(expense)	4,194,677	-	4,194,677
Profit/(loss) for the period from continuing operations	94,113,167	3,294,419	97,407,586
Discontinued Operations Period (loss)/profit	7,064,797	-	7,064,797

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4. SEGMENT REPORTING (Continued)

30 September 2021	Cement	Ready-mix concrete	Undistributed	Total
Segment assets	3,393,123,582	139,950,085	-	3,533,073,667
Financial assets at fair value through other comprehensive income	-	-	64,478	64,478
Investments accounted under equity method	-	-	779,367,611	779,367,611
Undistributed assets	-	-	112,784,610	112,784,610
Total assets	3,393,123,582	139,950,085	892,216,699	4,425,290,366
Segment liabilities	2,013,728,364	51,745,179	-	2,065,473,543
Undistributed liabilities	-	-	2,359,816,823	2,359,816,823
Total liabilities	2,013,728,364	51,745,179	2,359,816,823	4,425,290,366
31 December 2020	Cement	Ready-mix concrete	Undistributed	Total
Segment assets	3,204,915,469	155,752,832	-	3,360,668,301
Financial assets at fair value through other comprehensive income	-	-	64,478	64,478
Investments accounted under equity method	-	-	708,350,343	708,350,343
Undistributed assets	-	-	137,200,980	137,200,980
Assets directly associated with assets classified as held for sale	922,898,311	-	-	922,898,311
Total assets	4,127,813,780	155,752,832	845,615,801	5,129,182,413
Segment liabilities	2,681,005,447	65,135,566	-	2,746,141,013
Undistributed liabilities	-	-	1,838,844,336	1,838,844,336
Liabilities directly associated with assets classified as held for sale	544,197,064	-	-	544,197,064
Total liabilities	3,225,202,511	65,135,566	1,838,844,336	5,129,182,413

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5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021	31 December 2020
Cash	1,355	2,408
Cash at banks	440,993,471	903,959,344
<i>Demand deposits</i>	7,328,089	4,985,091
<i>Time deposits with maturity of less than 3 months</i>	433,665,382	898,974,253
	440,994,826	903,961,752
Blocked deposits (-)	(95,345)	(91,573)
Cash and cash equivalents in consolidated cash flow statement	440,899,581	903,870,179

The detail of bank deposits is stated below:

	30 September 2021	31 December 2020
Turkish Lira	433,400,235	402,513,602
Euro	1,037,783	395,631,908
USD	4,281,295	104,551,319
GBP	646,914	359,751
Other	1,627,244	902,764
	440,993,471	903,959,344

Time deposits as of 30 September 2021 and 31 December 2020 are denominated in TRY, EUR and USD with the maturity of less than three months. As of 30 September 2021, effective weighted average interest rate on time deposits is 18.25% for TRY. 0.5% for USD.(31 December 2020 TRY: 17.57%, USD 0.08% and EUR 0.07%). The blocked deposit amount is TRY95,245 as of 30 September 2021 (The blocked deposit amount is TRY91,573 as of 31 December 2020).

Credit risks of banks with group deposits are evaluated by taking into account independent data. The market values of cash and cash equivalents approximate to their carrying values. including the interest income accrued at the balance sheet date.

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6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

	30 September 2021	31 December 2020
Short-term trade receivables		
Trade receivables	404,109,316	265,603,026
Notes receivable	89,946,890	72,294,920
Due from related parties (Note 30)	297,470,637	685,287
Allowance for doubtful receivables (-)	(14,576,038)	(15,409,260)
Less: Provision for expected credit losses	(1,742,146)	(1,408,758)
	775,208,659	321,765,215

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 61 days (31 December 2020 - 77 days). Effective interest rates used when determining the amortized cost are 16.02% for TRY, 1.3% for USD and 1.84% for EUR (31 December 2020 - TRY: 12.43%, USD: 2.5%, EUR: 1.38%).

The movement of the provision for doubtful receivables for the periods ended 30 September 2021 and 30 September 2020 is as follows:

	1 January- 30 September 2021	1 January- 30 September 2020
Movements of allowance for doubtful receivables		
Opening balance	15,409,260	16,043,739
Provisions during the period (Note 25)	18,500	2,587,982
Provision no longer required (-) (Note 25)	(851,722)	-
Currency translation difference	-	74,233
Closing balance	14,576,038	18,705,954

b. Trade Payables

	30 September 2021	31 December 2020
Short-term trade payables		
Trade payables	425,749,546	475,424,068
Trade payables to related parties (Note 30)	102,034,665	96,973,610
	527,784,211	572,397,678

The average payment period of trade payables is 67 days (31 December 2020: 91 days). Effective interest rates used when determining the amortized cost are 16.02% for TRY, 1.3% for USD and 1.84% for EUR (31 December 2020 - TRY: 12.43%, USD: 2.5%, EUR 1.38%).

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7. FINANCIAL BORROWINGS

The detail of Group’s financial borrowings as of the balance sheet date is stated below:

Borrowings	30 September 2021	31 December 2020
Short-term borrowings	665,575,526	960,596,381
Current portion of long-term borrowings	55,598,048	181,271,407
Short-term financial liabilities	22,056,225	12,755,410
Short-term issued bonds	100,534,685	151,297,334
	843,764,484	1,305,920,532
Long-term borrowings	388,270,434	229,509,051
Long-term financial liabilities	13,853,940	25,472,916
Long-term issued bonds	-	-
	402,124,374	254,981,967
Financial borrowings except IFRS 16	1,209,978,693	1,522,674,173
Total borrowings	1,245,888,858	1,560,902,499

The details of the borrowings as of 30 September 2021 are as follows:

Secured/ Unsecured	Interest Type	Currency Type	Weighted Average Interest Rate (%)	Original Balance	Short-Term	Long-Term	30 September 2021
Secured	Fixed	EUR	1.06	34,800,000	358,909,800	-	358,909,800
Unsecured	Fixed (*)	EUR	2.87	26,515,866	72,854,362	200,617,024	273,471,386
Unsecured	Fixed	TRY	14.91	577,597,507	389,944,096	187,653,411	577,597,507
					821,708,258	388,270,435	1,209,978,693

(*) Çimsa has made interest rate swap transaction in order to its cash flow risk for the long term loan of EUR6.470.590 with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

The details of the borrowings as of 31 December 2020 are as follows:

Secured/ Unsecured	Interest Type	Currency Type	Weighted Average Interest Rate (%)	Original Balance	Short-Term	Long-Term	31 December 2020
Secured	Fixed	EUR	1.16	54,800,000	493,632,920	-	493,632,920
Unsecured	Fixed (***)	EUR	1.80	29,266,263	235,248,874	28,378,699	263,627,573
Unsecured	Fixed	USD	2.50	6,102,918	44,798,471	-	44,798,471
Unsecured	Fixed	TRY	11.74	720,615,209	519,484,857	201,130,352	720,615,209
					1,293,165,122	229,509,051	1,522,674,173

(***) Çimsa has made interest rate swap transaction in order to its cash flow risk for the long term loan of EUR16.176.472 with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

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7. FINANCIAL BORROWINGS (Continued)

The repayment schedule of the borrowings as of 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021	31 December 2020
To be paid within 1 year	821,708,259	1,293,165,121
To be paid between 1-2 years	388,270,434	122,418,452
To be paid between 2-3 years	-	107,090,600
	1,209,978,693	1,522,674,173

The Company issued bonds with a nominal value of TRY150,000,000 and a 728 day maturity, floating interest rate and 3 month maturity, indexed to the Turkish Lira Reference Interest Sales Rate. The value date of the issue is 21 March 2019 and the redemption date is 18 March 2021.

The Company issued bonds with a nominal value of TRY100,000,000 and a 372 day maturity, floating interest rate and 3 month maturity, indexed to the Turkish Lira Reference Interest Sales Rate. The value date of the issue is 18 March 2021 and the redemption date is 25 March 2022.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

	30 September 2021	31 December 2020
Short-term other receivables from third parties		
Other miscellaneous receivables	1,609,454	2,864,292
Due from personnel	132,104	93,568
Provision for doubtful other receivables	(764,354)	(764,354)
	977,204	2,193,506
Short-term other receivables		
Short-term other receivables from related parties (Note 30)	274,140	296,267
	274,140	296,267
Long-term other receivables		
Deposits and guarantees given	4,930,002	6,398,102
	4,930,002	6,398,102

b. Other Payables

	30 September 2021	31 December 2020
Short-term other payables		
Other payables to related parties (Note 30)	1,443,256	315,454,117
Taxes and funds payable	12,996,195	13,007,641
Deposits and guarantees received	8,082,523	9,389,184
	22,521,974	337,850,942

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9. INVENTORIES

Inventories	30 September 2021	31 December 2020
Raw Materials	211,977,528	127,645,075
Work-in progress	116,629,382	53,678,611
Finished goods	26,647,614	19,093,458
Goods in transit	-	34,988,039
Other inventories	18,180	3,746,957
Inventory impairment provision (-)	(11,868,474)	(10,498,878)
	343,404,230	228,653,262

Inventory impairment provision movement

Inventory impairment provision movement	30 September 2021	30 September 2020
Opening balance	10,498,878	6,329,931
Provisions during the period (Note 24)	1,370,400	969,146
Provisions no longer required (-)(Note 24)	(804)	-
Currency translation differences	-	22,022
Closing balance	11,868,474	7,321,099

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 prepaid expenses	30 September 2021	31 December 2020
Advances given to suppliers (*)	172,969,019	57,126,679
Prepaid expenses	8,287,687	2,031,644
	181,256,706	59,158,323

Long-term prepaid expenses	30 September 2021	31 December 2020
Advances given for the purchase of fixed assets	13,724,661	2,209,801
Prepaid expenses	679,787	857,259
	14,404,448	3,067,060

b. Deferred Income

Short-term deferred income	30 September 2021	31 December 2020
Advanced received	24,994,531	11,301,698
	24,994,531	11,301,698

(*)Advances given to suppliers mainly related with raw material purchases .

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11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
Cost value										
Opening balance as of 1 January 2021	67,020,189	126,708,436	542,686,341	1,973,253,358	71,357,995	27,823,760	740,412	9,059,112	38,573,029	2,857,222,632
Currency translation difference	-	-	-	1,848,110	13,320	16,969	144,459	-	-	2,022,858
Classifications (*)	(11,359,003)	(14,399,608)	(52,921,585)	(359,071,117)	(13,485,674)	(4,799,840)	-	(249,405)	(5,363,396)	(461,649,628)
Additions	1,035,028	57,911	234,419	13,263,584	-	3,544,989	-	-	63,143,590	81,279,521
Disposals	(134,642)	-	-	(9,732,654)	(149,506)	(501,331)	(3,061)	-	-	(10,521,194)
Transfers from construction in progress	-	637,959	150,000	45,858,990	-	1,057,419	-	-	(50,835,386)	(3,131,018)
Closing balance as of 30 September 2021	56,561,572	113,004,698	490,149,175	1,665,420,271	57,736,135	27,141,966	881,810	8,809,707	45,517,837	2,465,223,171
Accumulated depreciation (-)										
Opening balance as of 1 January 2021	-	(64,939,835)	(147,375,728)	(987,570,663)	(57,899,245)	(15,502,352)	(159,367)	(4,175,562)	-	(1,277,622,752)
Currency translation difference	-	-	-	(851,242)	(13,320)	(4,630)	(43,606)	-	-	(912,798)
Classifications (*)	-	10,068,739	28,520,099	227,043,029	11,902,081	3,368,826	-	249,405	-	281,152,179
Charge for the period	-	(5,337,942)	(9,664,401)	(63,781,876)	(3,257,509)	(2,565,543)	(3,051)	(1,022,007)	-	(85,632,329)
Disposals	-	-	-	7,096,388	149,506	203,621	2,767	-	-	7,452,282
Closing balance as of 30 September 2021	-	(60,209,038)	(128,520,030)	(818,064,364)	(49,118,487)	(14,500,078)	(203,257)	(4,948,164)	-	(1,075,563,418)
Net book value as of 30 September 2021	56,561,572	52,795,660	361,629,145	847,355,907	8,617,648	12,641,888	678,553	3,861,543	45,517,837	1,389,659,753

As of 30 September 2021. there is no capitalized financing expenses.

(*)The Group reclassified, Niğde Integrated Cement Factory, Kayseri Integrated Cement Factory, Ankara Cement Grinding Facility and Başakpınar, Ambar, Nevşehir, Cırgalan, Aksaray, Ereğli and Kahramanmaraş Ready-Mixed Concrete Facilities -with a net book value of TL 180,497,449, which is accounted for property, plant and equipment in the statement of financial position to non-current assets held for sale.

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11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Tangible Assets	Leasehold Improvement	Construction in Progress	Total
Cost value										
Opening balance as of 1 January 2020	84,815,330	213,506,751	710,509,647	2,210,164,861	78,794,223	26,540,614	1,438,659	8,991,213	14,353,907	3,349,115,205
Currency translation difference	2,823,090	32,305,650	73,733,086	142,624,096	1,117,551	2,306,534	335,135	-	(2,028,944)	253,216,198
Classification	2,356,712	(101,621,417)	107,089,687	(6,405,785)	-	(2,049,319)	-	1,844,608	-	1,214,486
Additions	-	100,675	220,080	6,732,989	531,390	1,994,289	880	67,901	20,411,939	30,060,143
Disposals	(789,065)	(1,251,064)	-	(956,939)	(5,155,431)	(77,491)	-	-	-	(8,229,990)
Transfers from construction in progress	-	134,450	1,661,025	15,411,050	-	675,070	-	-	(19,761,155)	(1,879,560)
Closing balance as of 30 September 2020	89,206,067	143,175,045	893,213,525	2,367,570,272	75,287,733	29,389,697	1,774,674	10,903,722	12,975,747	3,623,496,482
Accumulated depreciation (-)										
Opening balance as of 1 January 2020	-	(59,766,056)	(169,844,947)	(962,931,847)	(60,541,054)	(13,804,055)	(1,017,466)	(2,800,961)	-	(1,270,706,386)
Currency translation difference	-	(1,953,887)	(31,829,382)	(71,888,718)	(1,446,873)	(1,463,562)	(543,056)	(22,663)	-	(109,148,141)
Charge for the period	-	(6,001,458)	(15,788,299)	(75,491,885)	(3,371,837)	(2,096,050)	(17,295)	(1,104,646)	-	(103,871,470)
Disposals	-	1,050,157	-	174,397	4,604,451	47,832	-	-	-	5,876,837
Closing balance as of 30 September 2020	-	(66,671,244)	(217,462,628)	(1,110,138,053)	(60,755,313)	(17,315,835)	(1,577,817)	(3,928,270)	-	(1,477,849,160)
Net book value as of 30 September 2020	89,206,067	76,503,801	675,750,897	1,257,432,219	14,532,420	12,073,862	196,857	6,975,452	12,975,747	2,145,647,322

As of 30 September 2020, there is no capitalized financing expenses.

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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 – 30 September 2021	1 January – 30 September 2020
Cost of sales	(81,056,027)	(94,195,524)
General administrative expenses	(4,356,433)	(9,423,913)
Marketing, sales and distribution expenses	(147,846)	(171,303)
Research and development expenses	(72,023)	(80,730)
	<u>(85,632,329)</u>	<u>(103,871,470)</u>

12. NON-CURRENT ASSETS HELD FOR SALE

Portion of TRY344.295 has been classified as non-current assets held for sale (31 December 2020: TRY8.522.648).

	30 September 2021	31 December 2020
Opening balance	8,522,648	11,865,457
Sales	(8,178,352)	(3,342,809)
Total	<u>344,295</u>	<u>8,522,648</u>

The Sales Agreement has been signed on 24 September 2021 regarding sale of Niğde Integrated Cement Factory, Kayseri Integrated Cement Factory, Ankara Cement Grinding Facility and Başakpınar, Ambar, Nevşehir, Cırgalan, Aksaray, Ereğli and Kahramanmaraş Ready-Mixed Concrete Facilities registered in the assets/property of our company, with the fixed assets and other assets in these facilities, to Çimko Çimento ve Beton Sanayi Ticaret A.Ş. in return of 127 million USD excluding VAT, subject to the necessary legal approvals including the approval of the Competition Authority.

Subjected asset transfers can be realized with the condition of necessary legal approvals, including the approval of the Competition Authority, these assets are reclassified to Non-current assets held for sale from Property, Plant and Equipment and Intangible Assets.

	30 September 2021
Opening Balance	-
Classification	180,501,838
Toplam	<u>180,501,838</u>

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13. INTANGIBLE ASSETS

	Mining Rights	Other Intangible Assets	Total
<u>Cost value</u>			
Opening balance as of 1 January 2021	32.484.077	18.691.849	51.175.926
Classifications	-	(498.664)	(498.664)
Additions	-	1.430.366	1.430.366
Transfers from investments	-	3.131.018	3.131.018
Closing balance as of 30 September 2021	<u>32.484.077</u>	<u>22.754.569</u>	<u>55.238.646</u>
<u>Accumulated amortization (-)</u>			
Opening balance as of 1 January 2021	(23.201.818)	(11.320.338)	(34.522.156)
Classifications	-	494.275	494.275
Charge for period	(937.450)	(2.356.829)	(3.294.279)
Closing balance as of 30 September 2021	<u>(24.139.268)</u>	<u>(13.182.892)</u>	<u>(37.322.160)</u>
Net book value as of 30 September 2021	<u>8.344.809</u>	<u>9.571.677</u>	<u>17.916.486</u>
	Mining Rights	Other Intangible Assets	Total
<u>Cost value</u>			
Opening balance as of 1 January 2020	32.322.245	17.279.572	49.601.817
Currency translation difference	120.247	681.456	801.703
Additions	-	249.583	249.583
Disposals	-	(1.129.947)	(1.129.947)
Transfers from investments	-	1.879.571	1.879.571
Closing balance as of 30 September 2020	<u>32.442.492</u>	<u>18.960.235</u>	<u>51.402.727</u>
<u>Accumulated amortization (-)</u>			
Opening balance as of 1 January 2020	(22.041.518)	(9.525.717)	(31.567.235)
Currency translation difference	(118.140)	(626.114)	(744.254)
Charge for period	(930.271)	(1.573.457)	(2.503.728)
Disposals	-	25.109	25.109
Closing balance as of 30 September 2020	<u>(23.089.929)</u>	<u>(11.700.179)</u>	<u>(34.790.108)</u>
Net book value as of 30 September 2020	<u>9.352.563</u>	<u>7.260.056</u>	<u>16.612.619</u>

* The Group reclassified, Niğde Integrated Cement Factory, Kayseri Integrated Cement Factory, Ankara Cement Grinding Facility and Başakpınar, Ambar, Nevşehir, Cırgalan, Aksaray, Ereğli and Kahramanmaraş Ready-Mixed Concrete Facilities -with a net book value of TL 4,389, which is accounted for property, plant and equipment in the statement of financial position to non-current assets held for sale.

The mining rights are amortized in proportion to the reserves consumed in the current year to the total reserves. The remaining amortization period depends on the duration of the depletion of the remaining reserves. The distribution of amortization charge for intangible assets is as follows:

	1 January – 30 September 2021	1 January – 30 September 2020
Cost of sales	(3,118,229)	(2,270,498)
General administrative expenses	(167,592)	(227,155)
Marketing, sales and distribution expenses	(5,688)	(4,129)
Research and development expenses	(2,770)	(1,946)
	<u>(3,294,279)</u>	<u>(2,503,728)</u>

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14. RIGHT OF USE ASSETS

Details regarding the right of use assets recognized on asset basis are as follows were as follows:

Right of use assets	1 January 2021	Additions	Classification	Depreciation for the period	30 September 2021
Buildings	13,786,632	-	-	(4,767,824)	9,018,808
Vehicles	10,948,911	1,569,768	-	(4,920,845)	7,597,834
Other	144,448	-	-	(57,293)	87,155
	24,879,991	1,569,768	-	(9,745,962)	16,703,797

The depreciation expense of TRY1,436,746 for the period ending on 30 September 2021 of the right of use assets has been included in the cost of the goods sold and the part of TRY8,309,216 has been included in the general administrative expense .

Right of use assets	1 January 2020	Additions	Classification	Depreciation for the period	30 September 2020
Buildings	36,908,514	-	-	(5,484,982)	31,423,532
Vehicles	839,775	19,962,029	342,713	(5,923,203)	15,221,314
Other	2,633,007	-	(342,713)	(159,725)	2,130,569
	40,381,296	19,962,029	-	(11,567,910)	48,775,415

The depreciation expense of TRY4,450,821 for the period ending on 30 September 2020 of the right of use assets has been included in the cost of the goods sold and the part of TRY7,117,089 has been included in the general administrative expense.

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15. GOODWILL

The goodwill amount presented in the Group’s financial statements as of 30 September 2021 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, Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012. The movement of goodwill for the periods ending 30 September 2021 and 31 December 2020 is stated below:

30 September 2021	30 September 2021	31 December 2020
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

Goodwill amounts associated with cash generating units are subjected to an impairment determination study once a year or more frequently in December when the circumstances indicate impairment. The recoverable value of the cash-generating units has been determined on the basis of value in use or fair value less cost to sell. The recoverable value was determined according to the fair value calculations made according to the discounted cash flow analysis. These calculations include cash flow projections on a TRY basis and are based on ten-year plans between 1 January 2021 and 31 December 2030. For the cash flow estimation, 19.93% weighted average cost of capital and cost and sales price increases in line with macroeconomic and market assumptions were taken into account. As a result of these impairment tests, the recoverable value of the goodwill was determined on the registered value as a result of the examination as of 31 December 2020 and no impairment was found.

In the valuation technique applied, the test for impairment of goodwill is based on the following assumptions:

These generally accepted valuation techniques are based on the changing EBITDA/net sales ratio on the basis of cash generating unit with a growth rate of 6% - 8% on the basis of each cash-generating unit and it is extremely sensitive to changes in the Weighted Average Cost of Capital values accepted as 19.93% (2019:17%). While the EBITDA/Net Sales ratio is in line with the budgets prepared by the Group management on a cash-generating unit basis for 2021 and beyond, the Weighted Average Cost of Capital ratio depends on some macroeconomic and cement sector-specific variables. When calculating the estimated recoverable amount, when the discount rate is increased by 1 point from the values used in the assumptions by keeping the other variables constant, or in the same way, when the growth rate is reduced by 1 point from the values used in the assumptions by keeping the other variables constant, the recoverable amount of the cash generating unit does not fall below the book value.

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16. PROVISION. CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

	30 September 2021	31 December 2020
Short-term provisions		
Provision for litigations	27,728,179	25,669,833
Other provisions	56,973,494	11,718,152
	84,701,673	37,387,985

The movement of "Provision for the litigations" as of 30 September 2021 and 30 September 2020 is stated below:

	30 September 2021	30 September 2020
Provision for the litigation movement		
Opening balance	25,669,833	20,028,140
Additional provision (Note 25)	5,478,203	1,822,427
Provision no longer required (-) (-) (Note 25)	(3,419,857)	(150,212)
Closing balance	27,728,179	21,700,355

As of 30 September 2021, the Group has provided provision amounting to TRY27,728,179 for the risky cases against the Company with the opinion obtained from the Company's legal counsels (31 December 2020: TRY25,669,833).

b. Long-Term Provisions

	30 September 2021	31 December 2020
Long-term provisions		
Long-term employee benefits	58,008,862	48,258,745
Other long term provisions	5,614,883	4,454,937
	63,623,745	52,713,682

	30 September 2021	31 December 2020
Other long term provisions		
Recultivation provision	5,614,883	4,454,937
	5,614,883	4,454,937

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16. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 TRY5.614.883 under “Other Long Term Provisions” as of 30 September 2021 (31 December 2020: TRY4.454.937).

Movement of recultivation provision as of 30 September 2021 and 30 September 2020 is as follows:

	30 September 2021	30 September 2020
Recultivation provision movement		
Opening balance	4,454,937	4,209,071
Additional provision (Note 25)	1,159,946	311,350
Provision no longer required (-) (Note 25)	-	(536,267)
Closing balance	5,614,883	3,984,154

17. ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED FOR AS HELD FOR SALE AND PROFIT/(LOSS) OF DISCONTINUED OPERATIONS

As stated in the Company's PDP statements dated 01.10.2020; the Company announced to sell the shares of Çimsa's subsidiaries that undertake white cement business abroad, whereas 100% equity shares of Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Cementos Espana S.A.U., and corresponding to 70% of the total equity shares in Cimsa Adriatico S.R.L. all of which are being held by Çimsa, to the CSC BV, which is to be incorporated in the Netherlands. . In this context, since the conditions required by TFRS 5 standard “Non-current Assets Held for Sale and Discontinued Operations” is fulfilled, , the assets and liabilities related to these subsidiaries are classified as "Assets related to asset groups classified for sale" and "Liabilities regarding asset groups classified for sale", if the profit or loss related to the asset groups is "Discontinued operations period (loss) is classified as "profit" In the income statements of September 2021 and 2020, the profit or loss related to asset groups and pre-tax gain recognized on disposal of these asset groups with loss of control are presented as “profit (loss) of discontinued operations”.

	30 September 2021	31 December 2020
Assets directly associated with assets classified as held for sale		
Cash and cash equivalents	-	37,279,072
Trade receivables	-	183,829,218
Inventories	-	93,187,110
Other current assets	-	12,502,851
Current Assets	-	326,798,251
Tangible and intangible assets	-	545,534,443
Right of use assets	-	40,422,324
Other non-current assets	-	10,143,293
Non-current assets	-	596,100,060
Total assets	-	922,898,311

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17. ASSETS AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED FOR AS HELD FOR SALE AND PROFIT/(LOSS) OF DISCONTINUED OPERATIONS (Continued)

	30 September 2021	31 December 2020
Liabilities directly associated with assets classified as held for sale		
Financial borrowings	-	406,185,531
Trade payables	-	34,516,144
Other short-term liabilities	-	15,751,125
Short-term liabilities	-	456,452,800
Financial borrowings	-	85,870,926
Other long-term liabilities	-	1,873,337
Long-term liabilities	-	87,744,263
Total liabilities	-	544,197,063

Amounts shown under "Assets related to asset groups classified for sale" and "Liabilities related to asset groups classified for sale" in the financial statements are related to the consolidation of in Group transactions that are handled within the scope of TFRS 5 " Fixed Assets Held for Sale and Discontinued Operations " and it also includes its effects.

	1 January- 30 September 2021	1 January- 30 September 2020
Discontinued Operations Period Summary (Loss)/Profit		
Net sales income	165,064,768	201,113,491
Gross profit	48,765,240	39,173,069
Operating profit/loss	323,745,157	6,816,828
Net financial income/expense	(19,367,977)	(12,401,747)
Profit/loss before tax	304,377,180	(5,584,919)
Tax income/expense	(14,738,150)	(1,041,815)
Discontinued Operations Period (Loss)/Profit	289,639,030	(6,626,734)
Cash Flow Statement Regarding Discontinued Operations		
	1 January- 30 September 2021	1 January- 30 September 2020
Cash flow from operating activities	(5,021,429)	11,601,995
Cash flow from investing activities	(4,863,589)	(2,874,302)
Cash flows from financing activities (excluding dividends)	15,488,899	4,299,855
Net increase/decrease in cash and cash equivalents	5,603,881	13,027,548

Agreements for the sale and transfer of the Group's shares of Cimsa Cementos Espana SAU, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North GmbH and Cimsa Adriatico SRL, consolidated by the Group as a subsidiary, to Cimsa Sabanci Cement BV were signed on 22 June 2021 and, the transfer process was completed as of 30 June 2021, following the completion of other necessary legal actions.

The details of the subsidiary sale are as follows:

	1 January- 30 September 2021
Sale price	334,798,007
Assets directly associated with assets classified as held for sale - net	(184,966,567)
Disposal of foreign currency translation differences	139,113,203
Disposal of non-controlling interests	13,319,461
Profit from disposal of discontinued operations	302,264,104

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18. COMMITMENTS

The collaterals, pledges and mortgages (CPM) received by the Group as of 30 September 2021 and 31 December 2020 are as follows:

	Currency	30 September 2021		31 December 2020	
		Original	TRY Amount	Original	TRY Amount
Guarantee letter received	TRY	596,749,182	596,749,182	550,405,108	550,405,108
Guarantee letter received	USD	23,997,835	212,220,058	34,069,985	250,090,728
Guarantee letter received	EUR	14,873,490	153,397,737	14,631,689	131,800,794
Guarantee letter received	Other	26,000	26,000	26,000	26,000
Mortgages received	TRY	26,939,023	26,939,023	29,121,423	29,121,423
Mortgages received	RUB	42,232,560	5,104,650	42,232,560	4,157,373
Checks and notes received	TRY	20,833,646	20,833,646	21,252,262	21,252,262
Checks and notes received	USD	47,300	418,288	47,300	347,206
Pledge	TRY	17,496,563	17,496,563	18,431,248	18,431,248
Total CPM received			1,033,185,147		1,005,632,142

As of 30 September 2021 and 31 December 2020, the details of the collaterals, pledges and mortgages (CPM) given are as follows:

	Currency	30 September 2021		31 December 2020	
		Original	TRY Amount	Original	TRY Amount
A. Total CPM given for the Company's own legal entity	TRY	104,538,209	104,538,209	83,383,642	83,383,642
	USD	664,760	5,878,671	592,460	4,348,951
	EUR	1,425,157	14,698,354	1,385,468	12,480,155
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 not of scope of clause B and C	EUR	36,000,000	371,286,000		
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			496,401,234		100,212,748

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19. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	30 September 2021	31 December 2020
Social security payables	6,289,558	4,645,486
Wage accrual and income tax withholding payable to personnel	4,065,091	3,939,499
	10,354,649	8,584,985

b. Long-Term Employee Benefits

	30 September 2021	31 December 2020
Retirement pay provision	50,596,369	42,295,557
Provision for unpaid vacation liability	5,463,263	4,308,223
Seniority provision	1,949,230	1,654,965
	58,008,862	48,258,745

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 TRY8,284.51 as of 30 September 2021 (31 December 2020: full TRY7,117.36).

In the consolidated financial statements dated 30 September 2021 and 31 December 2020, the actuarial assumptions used in calculating the severance pay liability are as follows:

	30 September 2021	31 December 2020
Discount rate. net	4.34%	4.34%

The movement of provision for unpaid vacation liability in the period is stated below:

	1 January- 30 September 2021	1 January- 30 September 2020
Opening balance	4,308,223	4,797,633
Additional provision	1,531,721	194,806
Provision paid during the period	(376,681)	(186,834)
Currency translation difference	-	89,012
Closing balance	5,463,263	4,894,617

The movement of ‘seniority provision’ in the period is stated below:

	1 January- 30 September 2021	1 January- 30 September 2020
Opening balance	1,654,965	1,413,371
Additional provision	874,865	692,627
Provision paid during the period	(580,600)	(364,104)
Closing balance	1,949,230	1,741,894

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20. OTHER ASSETS AND LIABILITIES

a. Other Assets

	30 September 2021	31 December 2020
<u>Other current assets</u>		
Deferred VAT ⁽¹⁾	25,054,254	57,141,042
Job and personnel advances	2,274,148	571,666
Other current assets	8,825,180	8,951,010
	36,153,582	66,663,718
<u>Other non-current assets</u>	30 September 2021	31 December 2020
Deferred VAT ⁽²⁾	10,475,006	17,724,782
Export VAT ⁽³⁾	1.863.535	1,049,585
Other non- current assets	371	2,115
	12,338,912	18,776,482

(1) According to the estimates of the Group, the portion to be deducted from the VAT payables to be paid within one year is reclassified to other current assets.

(2) According to the Group's estimations, the portion of the transferred VAT of Afyon Çimento T.A.Ş which will be deducted over a year is classified as long term. (31 December 2020: TRY17.724.782).

(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

	30 September 2021	31 December 2020
Other short term liabilities	5,199,829	61,052,734
	5,199,829	61,052,734

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21. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 30 September 2021 and 31 December 2020, the composition of shareholders is as follows:

Shareholders (*)	30 September 2021		31 December 2020	
	(%)	Amount	(%)	Amount
Hacı Ömer Sabancı Holding A.Ş.	54.54	73,674,201	54.54	73,674,201
Akçansa Çimento San. ve Tic. A.Ş.	8.98	12,130,560	8.98	12,130,560
Hacı Ömer Sabancı Vakfı	0.11	150,000	0.11	150,000
Other shareholders	36.37	49,129,681	36.37	49,129,681
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 is 35.86% as of 30 September 2021 (31 December 2020: 35.86%).

As of 30 September 2021, the Company's capital is composed of 135,084,442 units (31 December 2020: 135,084,442). The nominal value of the shares is TRY1 per share (31 December 2020: TRY1 per share).

In line with the decision of the Board of Directors dated January 27,2021, the registered capital ceiling validity period of the Company is extended to cover the years 2021-2025; Changes planned to be made in Articles 6 and 9 of the Company's Articles of Association in order to increase the registered capital ceiling of TRY200.000.000 to TRY350.000.000 and to enable the meeting of the Board of Directors to be held electronically have been accepted at the board meeting dated 23 March 2021. Issued General Assembly resolution was registered on 21 April 2021 and published in the Trade Registry Gazette numbered 10314 with the same date.

Retained earnings and accumulated profit/loss

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.

Profit Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 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 interim financial statements of the Company.

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21. EQUITY, RESERVES AND OTHER EQUITY ITEMS (Continued)

Companies should include at least the following in their profit distribution policies:

- Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
- Payment type of dividend distribution.
- Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
- Whether dividend advances will be distributed. and if distributed, the related principles.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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 shareholders’ equity by taking into consideration its deferred tax effect.

EXSA - Available for sales financial assets revaluation reserve movement table

	30 September 2021	30 September 2020
Opening balance	394,562,222	310,993,226
Profit/loss effect	88,713,300	66,709,950
Currency translation difference	682,512	-
Hedge fund	(2,594,495)	3,699,753
Net fair value change of financial investments	(6,669,008)	(7,190,092)
	474,694,531	374,212,837

CSC Available for sales financial assets revaluation reserve movement table

	30 September 2021	30 September 2020
Opening balance	313,788,120	-
Profit/loss effect	6,341,795	-
Currency translation difference	46,960,867	-
Effects of combinations of entities or businesses under common control on investments in associates accounted for using equity method	(62,417,702)	-
	304,673,080	-

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22. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2021			31 December 2020		
	Fair Value			Fair Value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Hedging against impaired risk						
Forward foreign exchange transactions	66,734,451	-	27,009,743	116,572,837	-	42,587,972
Marketable securities						
Forward foreign exchange transactions	66,734,451	26,261,759	-	116,572,837	42,587,851	-
Total short-term derivative instruments		26,261,759	27,009,743		42,587,851	42,587,972
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	-	-	-	145,716,060	(333,099)	1,262,945
Hedging against cash flow risk						
Forward foreign exchange transactions	-	-	-	29,143,223	-	11,240,796
Marketable securities						
Forward foreign exchange transactions	-	-	-	29,143,223	11,240,796	-
Total long-term derivative instruments		-	-		10,907,697	12,503,741
Total derivative financial instruments		26,261,759	27,009,743		53,495,548	55,091,713

As of 30 September 2021, the Group has realized 6,5 million sell Euro buy Turkish Lira forward transaction with maturity of 4 years expired on 29 March 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 30 September 2021, the Group has realized 6,5 million Euro nominal value sell Turkish lira buy Euro forward transaction with maturity of 4 years expired on 29 March 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit and loss.

As of 30 September 2021, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of 6,5 million Euro 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.

The Group has paid the capital commitment on 16 February 2021 for Cimsa Sabancı Cement BV to which it has made a capital commitment as of 14 November 2020. Foreign exchange losses related to the loan of EUR 34.8 million used simultaneously for the capital payment were accounted for under equity as part of the net investment hedge.

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23. REVENUE

Revenue	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Domestic sales	1,235,887,602	850,231,237	477,039,998	356,300,216
Export sales	1,549,156,710	720,419,507	494,193,810	219,015,696
Sales discounts (-)	(10,666,545)	(19,076,119)	(308,630)	(10,668,415)
Other deductions (-)	(241,604,686)	(207,689,951)	(79,860,525)	(74,793,627)
	2,532,773,081	1,343,884,674	891,064,653	489,853,870
Cost of sales (-) (Note:24)	(1,983,881,338)	(1,044,214,886)	(718,845,435)	(349,609,830)
Gross profit	548,891,743	299,669,788	172,219,218	140,244,040

24. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January - 30 September 2021 and 2020 is as follows:

Cost of sales (-)

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Direct material and supplies expenses	(258,698,972)	(118,425,811)	(94,977,795)	(10,327,839)
Labor expenses	(86,950,848)	(69,997,123)	(27,636,572)	(22,802,880)
Energy costs	(883,332,234)	(508,383,664)	(344,738,674)	(194,424,647)
Depreciation and amortization	(85,611,002)	(88,301,830)	(28,628,218)	(28,181,618)
Other production expenses	(421,383,716)	(177,402,537)	(203,821,389)	(56,826,549)
Total production cost	(1,735,976,772)	(962,510,965)	(699,802,648)	(312,563,533)
Inventory impairment provision	(1,369,596)	(969,146)	(420,066)	(120,360)
Change in work- in process	62,950,771	(7,492,453)	41,895,966	(8,259,621)
Change in finished goods	7,554,156	4,480,829	2,645,425	1,831,608
Cost of trade goods sold and other	(317,039,897)	(77,723,151)	(63,164,112)	(30,497,924)
	(1,983,881,338)	(1,044,214,886)	(718,845,435)	(349,609,830)

The detail of general administration expenses for the periods between 1 January - 30 September 2021 and 2020 is as follows:

General adm. expenses	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Personnel expenses	(54,818,257)	(47,000,013)	(16,215,393)	(13,814,078)
Consultancy expenses	(14,572,545)	(13,815,880)	(8,870,741)	(1,205,647)
Depreciation and amortization	(12,833,242)	(8,834,271)	(5,001,379)	(3,198,141)
IT Expenses	(6,718,780)	(5,084,927)	(2,394,758)	(1,713,459)
Tax, duty and charges	(5,938,054)	(4,661,436)	(1,677,096)	(2,582,147)
Travel expenses	(3,699,764)	(1,836,815)	(2,939,463)	(506,335)
Insurance expenses	(1,892,700)	(1,207,416)	(729,609)	(496,981)
Rent expenses	(1,882,653)	(1,670,514)	(982,114)	(261,798)
Communication and publicity expenses	(1,342,905)	(1,104,248)	(511,283)	(278,221)
Representation expenses	(1,176,093)	(560,643)	(724,609)	(94,935)
Maintenance expenses	(251,485)	(472,618)	(147,977)	(286,375)
Other miscellaneous expenses	(18,302,772)	(6,332,777)	(8,267,829)	238,567
	(123,429,250)	(92,581,558)	(48,462,251)	(24,199,550)

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24. OPERATING EXPENSES BY NATURE (Continued)

The detail of marketing, selling and distribution expense for the periods between 1 January - 30 September 2021 and 2020 is as follows:

Marketing, selling and distribution	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Personnel expenses	(5,286,547)	(6,733,259)	(1,335,416)	(1,482,323)
Consultancy expenses	(947,806)	(1,216,838)	(185,664)	(471,197)
Rent expenses	(787,176)	(650,944)	(264,661)	(233,449)
Travel expenses	(645,636)	(551,231)	(157,985)	(134,914)
Depreciation and amortization expenses	(153,534)	(160,585)	(51,369)	(53,333)
Insurance expenses	(70,504)	(115,240)	(21,579)	(41,016)
Representation expenses	(61,182)	(352,608)	(30,966)	(21,597)
Communication and publicity expenses	(23,831)	(40,643)	(6,536)	(13,972)
Other miscellaneous expenses	(1,094,267)	(1,432,713)	(426,865)	(139,078)
	(9,070,483)	(11,254,061)	(2,481,041)	(2,590,879)

The detail of research and development expense for the periods between 1 January - 30 September 2021 and 2020 is as follows:

Research and development expenses	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Personnel expenses	(2,909,382)	(2,618,628)	(941,812)	(829,055)
Outsourced benefits and services	(592,174)	(349,418)	(93,248)	(47,102)
Raw material expenses	(500,977)	(302,210)	(330,331)	(41,402)
Maintenance expenses	(212,263)	(6,137)	(53,845)	-
Depreciation and amortization	(74,792)	(75,678)	(24,926)	(25,221)
Travel expenses	(19,714)	(53,560)	(15,475)	(11,053)
Rent expenses	(737)	(33,751)	(341)	(8,137)
Other miscellaneous expenses	(136,390)	(235,327)	(47,091)	(46,385)
	(4,446,429)	(3,674,709)	(1,507,069)	(1,008,355)

25. OTHER OPERATING INCOME AND EXPENSES

Other income from main operations	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Foreign exchange gain from operating activities	160,545,323	225,448,344	32,164,562	89,345,607
Overdue and interest income from operating activities	14,479,513	367,416	1,148,048	(440,899)
Sales of scrap and miscellaneous material	14,052,361	3,272,350	12,537,785	1,080,284
Provisions no longer required (Note 6/16)	4,271,579	686,479	3,412,390	13,420
Incentive pay received	13,642	11,658	13,642	11,658
Insurance damage compensation income	-	649,310	-	(631,161)
Other income	11,409,545	3,999,030	(2,220,959)	3,391,657
	204,771,963	234,434,587	47,055,468	92,770,566

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25. OTHER OPERATING INCOME AND EXPENSES (Continued)

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Other operating expense				
Foreign exchange loss from operating activities	(115,735,873)	(124,312,816)	(35,111,478)	(56,637,971)
Interest expense of retirement pay provision	(4,136,621)	(2,699,151)	(1,810,339)	(1,958,181)
Provision expenses (Note 6/16)	(6,656,649)	(3,821,759)	(4,699,486)	(2,292,795)
Compensation and penalty expenses	(1,129,140)	(1,692,350)	401,379	(607,137)
Donations and grants	(226,915)	(734,044)	(52,834)	(18,214)
Litigation, levy and court paid expenses	(108,925)	(152,475)	(27,264)	(27,288)
Other expenses	(11,058,548)	(3,349,925)	(9,978,749)	(1,208,719)
	(139,052,671)	(136,762,520)	(51,278,771)	(62,750,305)

26. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Income from investment activities				
Fixed assets sales income (*)	35,335,996	23,867,629	952,887	9,949,680
	35,335,996	23,867,629	952,887	9,949,680
Loss from investment activities				
Fixed assets sales loss (*)	(2,342,466)	-	(2,342,466)	-
	(2,342,466)	-	(2,342,466)	-

(*) Tangible fixed asset sales revenues are related to the Afyon old factory land, Niğde and Antalya land sales, which are still ongoing.

27. FINANCIAL INCOME/EXPENSE

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Financial income				
Interest income	27,266,777	19,444,737	9,441,785	8,156,357
Total financial income	27,266,777	19,444,737	9,441,785	8,156,357
Financial expenses				
Foreign exchange loss on bank borrowings(**)	(78,448,377)	(129,868,430)	(14,126,594)	(55,485,951)
Interest expenses of bank borrowings	(78,258,983)	(103,792,398)	(25,530,541)	(26,756,700)
Other financial expenses	(7,612,113)	(9,433,619)	(225,244)	(4,201,074)
Total financial expense	(164,319,473)	(243,094,447)	(39,882,379)	(86,443,725)

(**) The share sale transaction, which resulted in the loss of control of Cimsa Americas, the effect of the net investment hedge was transferred to the financial income and expenses account and associated with the consolidated profit or loss statement.

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28. 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.

In addition, temporary tax is paid at the rate of valid corporate tax over the tax assessments declared in interim periods during the year to be deducted from corporate tax. However, with the Law No. 7316, the corporate tax rate was determined as 25% for the earnings obtained in the 2021 taxation period and 23% for the earnings to be obtained in the 2022 taxation period. The regulation has become valid on July 22, 2021, starting from the declarations that must be submitted as of July 1, 2021, and to be valid for the corporate earnings for the taxation period starting from 1 January 2021.

As of 30 September 2021 and 31 December 2020, income tax provisions have been accrued in accordance with the prevailing tax legislation.

According to Article 32 of the Corporate Tax Law No. 5520, the corporate tax rate is 20%. However, the corporate tax rate was determined as 25% for 2021 earnings and 23% for 2022 earnings with the "Law on the Procedure for the Collection of Public Claims and the Law No.7316 on the Amendment of Certain Laws" published in the Official Gazette dated July 22, 2021 and numbered 31462.

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

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

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

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 month following the balance sheet date and taxes must be paid by the end of the fourth month.

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28. INCOME TAXES (Continued)

Companies calculate advance tax at a rate of 20% (25% for the taxation period of 2021 and 23% for the taxation period of 2022) over their quarterly financial profits, and they declare it until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. However, since the increase in the corporate tax rate made by Law No. 7316 takes effect starting from the declarations to be submitted as of July 1, 2021, the temporary tax rate for the earnings obtained in the first temporary taxation period of 2021 will be 20%. 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 30 September 2021 and 31 December 2020 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.

Expiration years of the tax losses carried forward are as follows:

	30 September 2021	31 December 2020
2023	-	27,008,824
2024	53,177,868	87,942,282
2025	41,478,109	35,768,987
Total	94,655,977	150,720,093

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28. INCOME TAXES (Continued)

As of 30 September 2021 and 31 December 2020, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

	30 September	31 December
	2021	2020
<u>Assets related to the current period taxes</u>		
Assets related to the current period taxes	1,558,899	200,717
	1,558,899	200,717
	30 September	31 December
	2021	2020
<u>Corporate tax payable</u>		
Current period corporate tax provision	(93,479,236)	(38,264,348)
Prepaid taxes and funds (-)	66,789,884	21,203,186
	(26,689,352)	(17,061,162)
	1 January-	1 July-
	30 September 2021	30 September 2020
<u>Tax (expense)/income</u>		
Current period corporate tax (expense)/income	(93,479,236)	(24,068,691)
Deferred tax (expense)/income	423,072	12,642,966
	(93,056,164)	(11,425,725)
	(18,515,992)	(12,781,489)

The details of the deferred tax assets and liabilities of the Group as of 30 September 2021 and 31 December 2020 are as follows:

	30 September	31 December
	2021	2020
Deferred tax assets(*)		
Cash capital increase tax incentive assets	35,655,464	22,733,620
Tax losses carried forward	23,663,994	30,708,039
Provision for litigations	6,230,760	5,716,173
Inventory impairment provision	2,372,471	2,029,871
Rediscount of receivables	2,656,482	1,680,891
Provision for employee benefits	2,688,666	1,940,711
Provision for other doubtful receivables	1,854,348	2,067,278
Recultivation provision	1,231,355	942,184
Property, plant and equipment and intangible assets	434,852	569,453
Other	6,347,885	10,946,717
	83,136,277	79,334,937
Deferred tax liabilities(*)		
Goodwill	(24,737,532)	(24,737,532)
Property, plant and equipment and intangible assets	(24,897,153)	(26,839,371)
Internal rate of return adjustment of borrowings	(1,128,229)	(411,588)
Inventories	(340,200)	(340,200)
Other	(3,888,651)	(3,338,393)
	(54,991,765)	(55,667,084)
Net deferred tax asset/(liability)	28,144,512	23,667,853

(*) The total net amount of these two balances is shown as deferred tax assets amounting to TRY54,849,489 (31 December 2020: TRY55,463,788) and deferred tax liability of TRY26,704,977 (31 December 2020: TRY31,795,935) in the balance sheet.

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28. INCOME TAXES (Continued)

	30 September 2021	31 December 2020
<u>Deferred tax assets/(liabilities) presentation at balance sheet</u>		
Deferred tax assets	54,849,489	55,463,788
Deferred tax liabilities	(26,704,977)	(31,795,935)
	28,144,512	23,667,853

The movement of the net deferred tax liabilities is as follows:

	30 September 2021	30 September 2020
<u>Deferred tax assets/(liabilities) movement</u>		
Opening balance	(23,667,853)	6,902,741
Deferred tax (income)/expense	423,072	14,115,811
Accounted under other comprehensive income	(6,601,985)	14,428,596
Currency translation difference and other	1,702,254	294,572
Closing balance	(28,144,512)	35,741,720

	30 September 2021	30 September 2020
<u>Tax reconciliation:</u>		
Profit before taxation	468,660,802	156,759,397
Effective statutory income tax rate	%25	%22
Tax expense at the effective statutory income tax rate	(117,165,201)	(34,487,067)
Reconciliation of tax provision calculated with deductible:		
- Effect of the profit from investments accounted by equity method	23,763,774	14,676,189
- Effect of cash capital increase on tax incentive assets	12,921,844	6,370,156
- Tax exemption from sale of land	4,287,897	2,295,225
- Non-deductible expenses	(1,547,930)	(360,695)
- Exception resulted from the sales profit of subsidiaries	(16,087,129)	-
- Other	770,581	80,467
Tax expense in the income statement	(93,056,164)	(11,425,725)

The Law on Amendment to Certain Laws and Decree Laws' (Law No: 6637) has been promulgated in the Official Gazette dated 7 July 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 TRY 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 31 December 2016. 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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29. EARNINGS PER SHARE

Earnings per share (EPS) 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.

Earnings/loss per share from continuing operations:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Number of shares	135,084,442	135,084,442	135,084,442	135,084,442
Profit attributable to equity holders of the parent-TRY	629,874,890	135,532,010	49,411,079	97,707,978
Dividend per share with nominal value of 1 Kr - TRY	4.6628	1.0033	0.3658	0.7233

Earnings/(loss) per share from discontinued operations:

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Number of shares	135,084,442	135,084,442	-	135,084,442
Profit attributable to equity holders of the parent - TRY	289,639,030	(6,626,734)	-	7,064,797
Dividend per share with nominal value of 1 Kr - TRY	2.1441	(0.0491)	-	0.0523

30. 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 30 September 2021 and 31 December 2020 and the related party transactions for the periods ended 30 September 2021 and 30 September 2020 are mainly as follows:

Short-term trade receivables from related parties

	30 September 2021	31 December 2020
Çimsa Sabancı Cement BV	295,978,098	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽¹⁾	1,492,539	685,287
Other	-	-
	297,470,637	685,287

Other receivables from related parties

	30 September 2021	31 December 2020
Ak Finansal Kiralama A.Ş.	223,504	223,504
Sabancı Dx ⁽¹⁾	50,636	-
Hacı Ömer Sabancı Holding A.Ş.	-	72,763
	274,140	296,267

(1) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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30. RELATED PARTY DISCLOSURES (Continued)

Short-term trade payables to related parties

	30 September 2021	31 December 2020
Enerjisa Üretim Santralleri A.Ş. ⁽¹⁾	89,600,485	87,661,748
Akbank T.A.Ş.(*)	11,059,652	8,868,750
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽²⁾	13,249	27,270
Other	1,361,279	415,842
	102,034,665	96,973,610

Short-term other payables to related parties

	30 September 2021	31 December 2020
Cimsa Sabanci Cement BV(**)	1,257,171	313,788,120
Teknosa A.Ş. ⁽²⁾	111,705	-
Sabancı Dx ⁽¹⁾	24,084	1,560,699
Aksigorta A.Ş. ⁽²⁾	1,790	-
Kordsa	-	94,044
Other	48,506	11,254
	1,443,256	315,454,117

Bank balances deposited in related parties

	30 September 2021	31 December 2020
Akbank T.A.Ş. ⁽¹⁾	437,425,997	387,462,987
	437,425,997	387,462,987

Borrowings from related parties

	30 September 2021	31 December 2020
Bank borrowing from Akbank T.A.Ş. ⁽²⁾	100,534,685	151,297,334
	100,534,685	151,297,334

(1) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

(2) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

(*) The trade payable is related with supplier financing

(**) It refers to the amount of capital committed to Cimsa Sabancı Cement BV with a capital of EUR87,000,000 established in the Netherlands on 16 November 2020 with the participation of 40% of the Group and 60% of the Group's parent company Sabancı Holding A.Ş. The related commitment was paid on 16 February 2021.

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30. RELATED PARTY DISCLOSURES (Continued)

Sales to related parties

	1 January 30 September 2021	1 January 30 September 2020	1 July 30 September 2021	1 July 30 September 2020
Çimsa Sabancı Cement BV	195,827,056	-	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş.	6,125,741	5,742,973	1,772,767	2,735,289
Ak Finansal Kiralama	947,050	568,230	-	189,410
Sabancı Dx	75,242	304,870	24,450	8,075
Other	206,154	2,456,294	141,266	2,437,590
	203,181,243	9,072,367	1,938,483	5,370,364

Other transactions with related parties

	1 January 30 September 2021	1 January 30 September 2020	1 July 30 September 2021	1 July 30 September 2020
Cimsa Sabancı Cement BV(*)	342,330,249	-	7,532,242	-
	342,330,249	-	7,532,242	-

Purchases and services received from related parties

	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Enerjisa Enerji A.Ş. ⁽¹⁾	289,530,049	210,608,180	116,063,476	79,841,554
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽¹⁾	31,412,670	71,089	12,762,820	14,824
Aksigorta A.Ş.	13,015,794	9,888,565	638,163	382,164
Sabancı Dx	5,689,444	5,773,668	1,949,735	4,840,986
Ak Finansal Kiralama	947,050	568,230	-	189,410
Ak Yatırım	463,449	43,446	-	43,446
AgeSa Hayat ve Emeklilik A.Ş. ⁽¹⁾	370,358	411,554	12,716	411,554
Teknosa	1,412,718	50,385	1,280,807	28,427
Hacı Ömer Sabancı Holding. A.Ş. ⁽¹⁾	560,352	483,543	334,915	4,610
Other	1,694,089	248,845	545,016	102,910
	345,095,973	228,147,505	133,587,648	85,859,885

(2) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

(*) Transaction price of disposal of subsidiaries

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30. RELATED PARTY DISCLOSURES (Continued)

Interest income from related parties

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Akbank T.A.Ş. (1)	5,011,881	11,356,033	2,667,464	2,246,185
	5,011,881	11,356,033	2,667,464	2,246,185

Interest expense from related parties

	1 January - 30 September 2021	1 January - 30 September 2020	1 July- 30 September 2021	1 July - 30 September 2020
Akbank T.A.Ş. (1)	(4,446,132)	(23,805,889)	(2,638,854)	-
	(4,446,132)	(23,805,889)	(2,638,854)	-

(1) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

Compensation benefits to the top management

Total amount of compensation benefits paid to the Chairman and the members of the Board of Directors. general manager. general coordinator and deputy general managers. is TRY14,382,695 (30 September 2020: TRY12,621,815). The contributions paid to Social Security Institution are TRY822,518 (30 September 2020: TRY771,416).

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31. FOREIGN CURRENCY RISK

As of 30 September 2021 and 31 December 2020, the Group's foreign currency position in terms of the original currency is as follows:

	30 September 2021				31 December 2020			
	TRY Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)	TRY Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
Trade receivables	450,925,158	34,246,743	13,950,086	351,803	242,908,920	27,290,899	4,671,117	50,597
Monetary financial assets	6,636,635	562,505	98,446	54,229	500,260,531	14,231,015	43,899,023	36,178
Other	49,770,373	4,738,268	762,927	-	69,293,674	1,819,395	6,209,928	-
Current Assets	507,332,167	39,547,515	14,811,459	406,033	812,463,125	43,341,309	54,780,068	86,775
TOTAL ASSETS	507,332,167	39,547,515	14,811,459	406,033	812,463,125	43,341,309	54,780,068	86,775
Trade payables	(206,132,251)	(20,941,262)	(1,955,687)	(64,750)	(155,804,474)	(16,885,626)	(3,394,527)	(128,520)
Financial liabilities	(632,412,716)	-	(61,318,923)	-	(802,216,183)	(6,103,333)	(84,083,378)	-
Other	(18,465,329)	(255,166)	(1,568,531)	(2,664)	(19,059,683)	(374,187)	(1,808,021)	(2,664)
Short Term Liabilities	(857,010,296)	(21,196,428)	(64,843,141)	(67,414)	(977,080,340)	(23,363,147)	(89,285,926)	(131,184)
TOTAL LIABILITIES	(857,010,296)	(21,196,428)	(64,843,141)	(67,414)	(977,080,340)	(23,363,147)	(89,285,926)	(131,184)
Net foreign currency asset liability position	(349,678,130)	18,351,087	(50,031,682)	338,619	(164,617,214)	19,978,162	(34,505,859)	(44,409)
Off balance sheet derivative financial instruments								
asset/liability position	425,644,230	-	41,270,590	-	189,759,042	6,000,000	16,176,472	-
Net foreign currency asset/liability position for monetary	75,966,100	18,351,087	(8,761,092)	338,619	25,141,828	25,978,162	(18,329,387)	(44,409)
items								
Export	1,525,325,407	115,707,916	58,066,632	1,542,891	1,151,063,076	104,063,391	51,542,851	1,275,212
Import	229,386,800	25,761,382	1,906,383	93,963	186,349,605	25,606,678	939,617	-

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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31. 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
30 September 2021				
1- USD net assets/liabilities	16,228,417	(16,228,417)	16,228,417	(16,228,417)
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	16,228,417	(16,228,417)	16,228,417	(16,228,417)
4- Net EUR assets/liabilities	(51,600,175)	51,600,175	(51,600,175)	51,600,175
5- Hedged portion of EUR risk (-)	42,564,423	(42,564,423)	42,564,423	(42,564,423)
6- EUR net effect (4+6)	(9,035,752)	9,035,752	(9,035,752)	9,035,752
7- Net GBP assets/liabilities	403,945	(403,945)	403,945	(403,945)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	403,945	(403,945)	403,945	(403,945)
TOTAL (3+6+9)	7,596,610	(7,596,610)	7,596,610	(7,596,610)

	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2020				
1- USD net assets/liabilities	14,664,970	(14,664,970)	14,664,970	(14,664,970)
2- Hedged portion of USD risk (-)	4,404,300	(4,404,300)	4,404,300	(4,404,300)
3- USD net effect (1+2)	19,069,270	(19,069,270)	19,069,270	(19,069,270)
4- Net EUR assets/liabilities	(31,082,533)	31,082,533	(31,082,533)	31,082,533
5- Hedged portion of EUR risk (-)	14,571,604	(14,571,604)	14,571,604	(14,571,604)
6- EUR net effect (4+6)	(16,510,929)	16,510,929	(16,510,929)	16,510,929
7- Net GBP assets/liabilities	(44,159)	44,159	(44,159)	44,159
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(44,159)	44,159	(44,159)	44,159
TOTAL (3+6+9)	2,514,182	(2,514,182)	2,514,182	(2,514,182)

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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PERIOD ENDED 30 SEPTEMBER 2021
(Amounts expressed in Turkish Lira (‘TRY’), unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

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.

Monetary liabilities

The carrying values of trade payables are estimated to reflect their fair value due to their short-term nature.

	30 September 2021	31 December 2020
Fair value difference reflects other comprehensive income/loss derivative financial assets and liabilities (*)	(27,009,743)	(55,091,713)
Total	(27,009,743)	(55,091,713)
	30 September 2021	31 December 2020
Fair value difference reflects over income/loss financial	26,261,759	53,495,548
Total	26,261,759	53,495,548

(*) Derivative instruments detailed in Note 22 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 30 September 2021, the revaluation amount of the Group's hedged transactions is EUR6,470,590 (2020: EUR16,176,472), which is presented in the consolidated statement of financial position as "Derivative financial assets" and "Equity".

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32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING
DISCLOSURES (Continued)

Fair value of financial instruments (Continued)

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.

33. SUBSEQUENT EVENTS

None.