

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

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

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2019 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**

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

## INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi

### A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the consolidated financial statements of Çimsa Çimento Sanayi ve Ticaret A.Ş. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (“TAS”).

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (“InAS”) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (“Code of Ethics”) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matters</b>	<b>How key audit matter addressed in the auditor's response</b>
<b><i>Goodwill impairment test</i></b>	
<p>As at 31 December 2019, there is a goodwill amounting to TL 148.119.252 which springs from previous acquisitions. In accordance with TAS, the Group performs an impairment test for each cash generating unit to assess whether there is an impairment in the goodwill amount.</p>	<p>The assumptions, sensitivities and results of the tests performed are disclosed in Note 14 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances. We involved the valuation specialists from another entity that is a part of the same audit network of our audit team to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.</p>

#### **4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **5) Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of “material misstatement” of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 21 February 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Cem Uçarlar.

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

Cem Uçarlar, SMMM  
Partner

21 February 2020  
İstanbul, Türkiye

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

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(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

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

	Note	(Audited) Current Period 31 December 2019	(Audited) Prior Period 31 December 2018
<b>ASSETS</b>			
Cash and cash equivalents	5	267,350,543	202,067,347
Trade receivables	6	460,975,667	435,316,646
<i>Trade receivables from related parties</i>	28	2,032,726	18,497
<i>Trade receivables from third parties</i>		458,942,941	435,298,149
Other receivables		3,972,111	1,593,821
<i>Other receivables from related parties</i>	28	228,724	248,597
<i>Other receivables from third parties</i>	8	3,743,387	1,345,224
Derivate financial instruments	20	17,099,686	22,511,102
Inventories	9	184,773,904	190,255,123
Prepaid expenses	10	12,154,694	9,539,353
Assets related to the current period taxes	26	3,078,501	2,526,430
Other current assets	18a	104,203,590	76,159,066
Investment property	12	131,852	280,706
<b>Current assets</b>		<b>1,053,740,548</b>	<b>940,249,594</b>
Trade receivables	6	-	700,600
<i>Trade receivables from third parties</i>		-	700,600
Other receivables	8	4,009,281	3,682,965
<i>Other receivables from third parties</i>		4,009,281	3,682,965
Available for sale financial investments	30	64,478	64,478
Investments accounted under equity method	3	310,993,227	270,207,613
Derivative financial instruments	20	24,287,721	57,332,437
Property, plant and equipment	11	2,090,142,424	1,982,519,374
Right of use	2	40,381,296	-
Intangible assets		166,153,834	170,034,768
<i>Goodwill</i>	14	148,119,252	151,824,511
<i>Other intangible assets</i>	13	18,034,582	18,210,257
Prepaid expenses	10	1,582,452	912,971
Deferred tax assets	26	59,162,445	40,740,895
Other non-current assets	18a	24,239,065	17,824,367
<b>Non-current assets</b>		<b>2,721,016,223</b>	<b>2,544,020,468</b>
<b>TOTAL ASSETS</b>		<b>3,774,756,771</b>	<b>3,483,989,356</b>

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

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

	Note	(Audited) Current Period 31 December 2019	(Audited) Prior Period 31 December 2018
<b>LIABILITIES</b>			
Short-term borrowings	7	674,684,295	788,523,502
Current portion of long-term borrowings	7	205,671,050	240,587,041
Trade payables	6	353,739,900	296,068,427
<i>Trade payables to related parties</i>	28	63,805,500	58,574,646
<i>Trade payables to third parties</i>		289,934,400	237,493,781
Employee benefit obligations	17	9,459,649	6,066,777
Other payables	8	26,554,732	13,266,905
<i>Other payables to related parties</i>	28	3,537,576	1,572,923
<i>Other payables to third parties</i>		23,017,156	11,693,982
Derivative financial liabilities	20	17,038,221	41,562,030
Deferred income	10	23,577,123	15,389,576
Current income tax liability	26	287,389	6,111,499
Short-term provisions		20,028,140	20,256,717
<i>Short-term provisions for employee benefits</i>	15	-	3,428,000
<i>Other short-term provisions</i>	15	20,028,140	16,828,717
Other current liabilities	18b	14,502,245	8,575,707
<b>Current liabilities</b>		<b>1,345,542,744</b>	<b>1,436,408,181</b>
Long-term borrowings	7	820,816,512	451,361,209
Long-term provisions		47,337,626	38,102,734
<i>Long-term provisions for employee benefits</i>	15,17	43,128,555	33,842,645
<i>Other long-term provisions</i>	15	4,209,071	4,260,089
Derivative financial liabilities	20	23,036,946	55,936,459
Deferred tax liability	26	52,259,704	50,701,393
<b>Non-current liabilities</b>		<b>943,450,788</b>	<b>596,101,795</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	19	135,084,442	135,084,442
Adjustments to share capital	19	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		27,302,196	(24,584,144)
<i>Foreign currency translation reserve</i>		54,499,662	66,947,614
<i>Hedge fund</i>		(39,575,608)	(75,387,265)
<i>Increase/(decrease) funds of available-for-sale financial assets</i>		12,378,142	(16,144,493)
Other comprehensive income/expense not to be reclassified to profit or loss		(8,924,835)	(5,777,277)
<i>Actuarial gains/(losses) on defined benefit plans</i>		(8,924,835)	(5,777,277)
Restricted reserves		193,104,976	193,104,976
Retained earnings		985,356,923	830,431,391
Net profit for the year		13,169,480	154,925,532
<b>Equity attributable to equityholders of the parent</b>		<b>1,387,934,113</b>	<b>1,326,025,851</b>
Non-controlling interests		97,829,126	125,453,529
<b>Total shareholders' equity</b>		<b>1,485,763,239</b>	<b>1,451,479,380</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,774,756,771</b>	<b>3,483,989,356</b>

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



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**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Note	(Audited) Current Period 1 January- 31 December 2019	(Audited) Prior Period 1 January- 31 December 2018
<b>OPERATING INCOME</b>			
Sales	21	1,726,195,637	1,699,958,055
Cost of sales (-)	22	(1,422,037,589)	(1,293,977,441)
<b>GROSS PROFIT</b>		<b>304,158,048</b>	<b>405,980,614</b>
General and administrative expense (-)	22	(154,045,385)	(108,623,377)
Marketing, selling and distribution expense (-)	22	(15,275,456)	(14,221,118)
Research and development expenses(-)	22	(6,445,651)	(3,851,468)
Other operating income	23	127,791,469	101,266,576
Other operating expenses (-)	23	(92,028,763)	(61,790,226)
<b>OPERATING PROFIT</b>		<b>164,154,262</b>	<b>318,761,001</b>
Income from investment activities	24	47,210,278	30,705,614
Expense from investment activities (-)	24	-	(8,354)
Profit/(loss) from investments accounted by equity method	3	28,408,313	38,699,123
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>239,772,853</b>	<b>388,157,384</b>
Financial income	25	6,098,730	5,141,861
Financial expenses (-)	25	(277,872,771)	(218,188,378)
<b>PROFIT BEFORE TAXATION</b>		<b>(32,001,188)</b>	<b>175,110,867</b>
<b>Tax income/(expense) from continuing operations</b>		<b>16,811,515</b>	<b>(21,254,018)</b>
- Current period tax expense	26	(7,964,053)	(11,217,802)
- Deferred tax income/(expense)	26	24,775,568	(10,036,216)
<b>NET PROFIT</b>		<b>(15,189,673)</b>	<b>153,856,849</b>
<b>Profit for the period attributable to</b>			
- Non-controlling interests		(28,359,153)	(1,068,683)
- Equity holders of the parent		13,169,480	154,925,532
<b>Earnings Per Share</b>			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	27	0.0975	1.1469

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

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**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	<b>(Audited)</b> <b>Current Period</b> <b>1 January-</b> <b>31 December 2019</b>	<b>(Audited)</b> <b>Prior Period</b> <b>1 January-</b> <b>31 December 2018</b>
<b>PROFIT FOR THE PERIOD</b>	<b>(15,189,673)</b>	<b>153,856,849</b>
<b>Other comprehensive income/expense to be reclassified to profit or loss</b>	<b>52,621,089</b>	<b>(57,889,398)</b>
<i>Foreign currency translation reserve</i>	<i>(11,713,203)</i>	<i>36,126,810</i>
<i>Available for sales financial assets revaluation reserve</i>	<i>36,567,481</i>	<i>(34,801,265)</i>
<i>Hedge fund</i>	<i>45,912,381</i>	<i>(79,898,509)</i>
<i>Tax income/(expense)</i>	<i>(18,145,570)</i>	<i>20,683,566</i>
<b>Other comprehensive income/expense not to be reclassified to profit or loss</b>	<b>(3,147,557)</b>	<b>704,339</b>
<i>Actuarial gains/(losses) on defined benefit plans</i>	<i>(4,035,330)</i>	<i>880,424</i>
<i>Tax (expense)/income</i>	<i>887,773</i>	<i>(176,085)</i>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) (AFTER TAX)</b>	<b>49,473,532</b>	<b>(57,185,059)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>34,283,859</b>	<b>96,671,790</b>
<b>Total comprehensive income attributable to</b>		
-Non-controlling interests	(27,624,403)	(2,054,469)
-Equity holders of the parent	61,908,262	98,726,259

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira (“TL”), 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	Available for sales financial assets revaluation reserve	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
<b>1 January 2018</b>	<b>135,084,442</b>	<b>41,741,516</b>	<b>1,099,415</b>	<b>29,853,540</b>	<b>(9,896,684)</b>	<b>12,381,134</b>	<b>(6,500,138)</b>	<b>187,026,176</b>	<b>675,700,470</b>	<b>228,351,942</b>	<b>1,294,841,813</b>	<b>127,507,998</b>	<b>1,422,349,811</b>
Transfer from retained earnings	-	-	-	-	-	-	-	6,078,800	222,273,142	(228,351,942)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	154,925,532	<b>154,925,532</b>	(1,068,683)	<b>153,856,849</b>
Other comprehensive income/(expense)	-	-	-	37,094,074	(65,490,581)	(28,525,627)	722,861	-	-	-	<b>(56,199,273)</b>	(985,786)	<b>(57,185,059)</b>
<b>Total comprehensive income/(expense)</b>	-	-	-	<b>37,094,074</b>	<b>(65,490,581)</b>	<b>(28,525,627)</b>	<b>722,861</b>	-	-	<b>154,925,532</b>	<b>98,726,259</b>	<b>(2,054,469)</b>	<b>96,671,790</b>
Dividends paid	-	-	-	-	-	-	-	-	(67,542,221)	-	<b>(67,542,221)</b>	-	<b>(67,542,221)</b>
<b>31 December 2018</b>	<b>135,084,442</b>	<b>41,741,516</b>	<b>1,099,415</b>	<b>66,947,614</b>	<b>(75,387,265)</b>	<b>(16,144,493)</b>	<b>(5,777,277)</b>	<b>193,104,976</b>	<b>830,431,391</b>	<b>154,925,532</b>	<b>1,326,025,851</b>	<b>125,453,529</b>	<b>1,451,479,380</b>
<b>1 January 2019</b>	<b>135,084,442</b>	<b>41,741,516</b>	<b>1,099,415</b>	<b>66,947,614</b>	<b>(75,387,265)</b>	<b>(16,144,493)</b>	<b>(5,777,277)</b>	<b>193,104,976</b>	<b>830,431,391</b>	<b>154,925,532</b>	<b>1,326,025,851</b>	<b>125,453,529</b>	<b>1,451,479,380</b>
Transfer from retained earnings	-	-	-	-	-	-	-	-	154,925,532	(154,925,532)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	13,169,480	<b>13,169,480</b>	(28,359,153)	<b>(15,189,673)</b>
Other comprehensive income/(expense)	-	-	-	(12,447,952)	35,811,657	28,522,635	(3,147,558)	-	-	-	<b>48,738,782</b>	734,750	<b>49,473,532</b>
<b>Total comprehensive income/(expense)</b>	-	-	-	<b>(12,447,952)</b>	<b>35,811,657</b>	<b>28,522,635</b>	<b>(3,147,558)</b>	-	-	<b>13,169,480</b>	<b>61,908,262</b>	<b>(27,624,403)</b>	<b>34,283,859</b>
<b>31 December 2019</b>	<b>135,084,442</b>	<b>41,741,516</b>	<b>1,099,415</b>	<b>54,499,662</b>	<b>(39,575,608)</b>	<b>12,378,142</b>	<b>(8,924,835)</b>	<b>193,104,976</b>	<b>985,356,923</b>	<b>13,169,480</b>	<b>1,387,934,113</b>	<b>97,829,126</b>	<b>1,485,763,239</b>

(\*) At the Ordinary General Assembly held on March 27, 2018, the decision regarding the distribution of TL 67,542,221 cash dividend was unanimously approved, and TL 38,935,065 of the dividend payment was made on March 29, 2018 and the remainder on April 2, 2018.

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

**ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	(Audited) Current Period 1 January- 31 December 2019	(Audited) Prior Period 1 January- 31 December 2018
Note		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>335,168,305</b>	<b>373,002,835</b>
Profit before taxation	(32,001,188)	175,110,867
<b>Adjustments to reconcile net profit/loss for the period</b>	<b>361,554,512</b>	<b>155,864,895</b>
Adjustment related to depreciation and amortization expense	22 142,555,454	109,016,505
Adjustment related to gain on sale of fixed assets	24 (46,183,410)	(28,270,659)
Adjustment related to retained profits of subsidiaries	3 (28,408,313)	(38,699,123)
Adjustment related to allowance for doubtful receivable	6 (3,040,527)	6,436,741
Adjustment related to provision for inventories	6 1,024,789	-
Adjustment related to provision for litigations	9 2,287,258	168,305
Adjustment related to recultivation provision	15 3,199,423	1,898,422
Adjustment related to provision for unlawful occupation	15 (51,018)	(352,704)
Adjustment related to retirement pay provision	14 3,705,259	-
Adjustment related to seniority provision	17 10,295,102	5,675,205
Adjustment related to unpaid vacation liability	17 697,345	669,153
Adjustment related to bonus accrual	17 1,371,295	406,446
Adjustment related to interest expense	15.a -	3,428,000
Adjustment related to interest income	23/25 205,455,154	139,443,432
Adjustment related to dividend income	23/25 (8,887,903)	(7,387,733)
Unrealized foreign exchange (gains)/losses on financial borrowings	70,790,861	26,950,073
Adjustment related to fair value decrease/(increase) of derivative financial instruments	6,743,743	(63,517,168)
<b>Changes in working capital</b>	<b>27,330,852</b>	<b>50,197,958</b>
Short-term trade receivables	(24,029,242)	83,859,787
Inventories	3,193,961	(43,648,508)
Other receivables/current assets/prepaid expenses	(33,590,229)	(15,847,118)
Long-term trade receivables	700,600	2,951,058
Other long term receivables/prepaid expenses	(7,410,495)	14,779,207
Short term trade payables	57,671,473	5,322,163
Other short term payables/liabilities	30,794,784	2,781,368
<b>Cash flows from operations</b>	<b>356,884,176</b>	<b>381,173,720</b>
Interest received	2,789,173	2,245,872
Premiums and bonuses paid	(3,428,000)	(4,500,000)
Retirement pay provision paid	(6,694,941)	(6,025,599)
Seniority provision paid	16.c (365,930)	(314,606)
Unused vacation liability paid	16.c (228,010)	(582,344)
Taxes paid	25 (13,788,163)	(14,353,994)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(120,258,258)</b>	<b>(225,493,961)</b>
Purchases of property, plant and equipment	11 (171,072,514)	(255,735,339)
Proceeds from sales of property, plant and equipment	52,932,650	35,219,585
Purchases of intangible assets	13 (2,118,394)	(1,272,948)
Other cash inflows/(outflows)	-	(3,705,259)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(69,829,113)</b>	<b>(162,782,678)</b>
Proceeds from borrowings	1,278,243,332	1,591,775,453
Repayment of borrowings	(1,202,273,873)	(1,633,107,590)
Dividend paid	18 -	(67,542,221)
Interest paid	(151,897,302)	(59,050,181)
Interests received	24 6,098,730	5,141,861
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>145,080,934</b>	<b>(30,633,590)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>201,636,639</b>	<b>204,303,367</b>
Currency translation differences (net)	(79,477,093)	27,966,862
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>267,240,480</b>	<b>201,636,639</b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (“TL”), 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 Kısıklı Cad. No: 4 Sarkuysan-Ak İş Merkezi S Blok Kat: 2 Altunizade, Üsküdar / İstanbul.

A certain amount of the shares of the Company is traded on Borsa İstanbul A.Ş. (“BIST”). In accordance with Article 82 of the BIST Basic Principles of Share Indexes, the shares of Çimsa are included in the BIST 100 index by the Directorate General of the Stock Exchange.

The upper limit of registered share capital of the Company is TL 200,000,000 (31 December 2018 - TL 200,000,000)

As of 31 December 2019 and 31 December 2018, the information related to the Company’s subsidiaries is as follows:

Entity	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				31 December 2019	31 December 2018
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12.10.2005	NCTR	Cement sales and marketing	99.99%	99.99%
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	08.02.2006	Romania	Cement sales and marketing	99.99%	99.99%
Çimsa Cement Sales North GmbH (CSN)(*)	27.06.2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana, S.A.U.) (*)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi (*)	12.12.2007	Turkey	Cement export	100%	100%
Regent Place Limited (Regent) (*)	21.05.2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) (*)	16.07.2008	Russia	Cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl (*)	09.02.2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31.05.2012	Turkey	Cement production and sales	51%	51%
Cimsa Americas Cement Manufacturing and Sales Corporation (Cimsa Americas) (*)	07.07.2017	USA	Cement production and sales	100%	100%

(\*) Accounted for using full consolidation method.

The Company’s associate, Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. (“Exsa”) (effective ownership: 32.875%) is consolidated by the equity method.

For the purpose of presentation of the consolidated financial statements, Çimsa, its subsidiaries and its associate will be together referred as (“the Group”).

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 21 February 2019. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The number of blue collar employees (a union member) of the Group for the year ended 31 December 2019 is 635 (2018 – 660) and white collar employees (not a union member) is 513 (2018– 470) and the number of employees working in subsidiaries located abroad is 49 (2018 - 42).

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

## **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”).

The functional and presentation currency of the Company is Turkish Liras (“TL”).

Functional currency of Cement Sales North GmbH, Çimsa Cementos Espana S.A.U., Regent Place Ltd. and Çimsa Adriatico SRL is Euro, the functional currency of Çimsarom Marketing Distribute Srl is New Romanian Lei (“Ron”), functional currency of OOO Çimsa – Rus Ctk is Ruble and functional currency of Cimsa Americas Cement Manufacturing and Sales Corporation is Dollar (“USD”). Based on TAS 21, for subsidiaries operating in countries without high inflation rates, the exchange rate used for translating the financial position items is the exchange rate at the balance sheet date; for income statement balances, the average exchange rate of the related period and the consolidated financial statements are presented in TL. The resulting foreign currency gain / loss are recorded under the “Currency Translation Reserve” account in equity.

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with rules and principles published by POA, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. These adjustments and reclassifications mainly consist of the effect of deferred tax calculation, provision for doubtful receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 “Employee Benefits” (“TAS 19”), prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, capitalization of financing expenses made in scope of TAS 23 “Borrowing Cost” (“TAS 23”) over construction in progress, the assessment of financial assets and liabilities in accordance with IFRS9 “Financial Instruments: Accounting and Measurement” (“IFRS9”), the accounting of TFRS 3 “Business Combinations” (“IFRS 3”) and the accounting of derivative financial instruments and cash flow hedge reserves in accordance with IFRS 9.

### **2.2 Seasonality of the Group’s operations**

The operations of the Group increase in spring and summer season when the demand for the construction increases and construction industry revives.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.3 Going concern**

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

**2.4 Offsetting**

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

**2.5 Changes in accounting policies, estimates and errors**

Any change in accounting policies resulting from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively.

**2.6 Summary of Significant Accounting Policies**

**Basis of consolidation**

As at 31 December 2019, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee and, c) the ability to use its power over the investee to affect the amount of company’s returns. The results of subsidiaries are included in the consolidated statements of profit or loss from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. The consolidated financial statements are prepared using common accounting policies for similar transactions and events and are prepared for the same accounting system with the Company.

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated.

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group’s equity therein. Minority interest consists of the amount of those interests at the date of the original acquisition and the minority’s share of changes in equity since the date of the acquisition.

Losses within a subsidiary are attributed to minority (-) interest even if that result is in deficit balance.

Transactions with minority shareholders are assumed to be occurred between main shareholders and so, accounted under equity.

Share purchase / (sale) transactions with minority shareholders that does not result in loss of control in the subsidiary are assumed to be occurred between the shareholders and are accounted under “differences arising from the change in shareholding rate in subsidiaries” account.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Basis of consolidation (continued)**

*Subsidiaries*

Subsidiaries are consolidated from the date on which control is transferred to the Company until the date on which the control is transferred out of the Company.

This control is normally evidenced when Çimsa owns, either directly or indirectly, more than 50% of the voting rights of a group’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Accordingly, the financial statements of Çimsa Cement, Cementos Espana, Çimsarom, CSN, Regent, OOO Russia, Cimsa Adriatico S.r.l, Cimsa Americas, Afyon Çimento and Çimsa Mersin are fully consolidated in accordance with IFRS 10 “Consolidated Financial Statements”.

Non-controlling interests in the net assets of the consolidated subsidiaries are separately presented within the Group’s equity as non-controlling interests. Non-controlling interests are composed of the sum of those emerged at the initial business combination and non-controlling interests in the changes in equities occurred in the after-math of the business combination.

*Associates*

The associate of the Group, Exsa, is accounted by equity method, which is classified under the Group’s financial assets.

Investments accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The other comprehensive income statement presents shares of financial results of the Group’s affiliates. The changes of the amount, not reflected on income or loss of the affiliate, on the equity of the affiliate can requisite an adjustment on the net book value of the affiliate in proportion of the Group’s share. The share of the group from these changes is directly accounted under the Group’s equity.

Exsa’s financial statements are prepared for the same period and with respect to the same accounting policies.

The Group considers at each balance sheet date whether there is impairment on the investments accounted by equity method.

**Cash and cash equivalents**

For the purposes of the presentation of consolidated cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks, checks readily convertible to known amounts of cash and short-term deposits with an original maturity of three months or less.

**Trade Receivables**

Trade receivables are recognized with invoiced amounts and carried at amortized cost using the effective interest method in the subsequent periods.

Notes and posdated checks classified in trade receivables are carried at amortized cost using the effective interest rate method.

Provision for doubtful receivables is accounted as expense. Provision for doubtful receivables is set aside if there is a concrete indication that the overdue receivables cannot be collected. The Company uses the simplified approach in IFRS 9 to calculate the expected credit losses of these financial assets. This method requires the accounted of lifetime expected credit losses for all trade receivables.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials - purchase cost on a monthly average basis.

Finished goods and work-in-process - cost includes direct material and labor cost, the applicable allocation of fixed and variable overhead costs (considering normal operating capacity) on the basis of monthly average basis.

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

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Land is not subject to depreciation. Depreciation is calculated on all property, plant and equipment on a straight-line basis over the estimated useful life of the asset as below. The economic useful lives of property, plant and equipments are as follows:

	Useful Lives
Land and land improvements	8–50 years
Buildings	4–50 years
Machinery and equipment	2–50 years
Furniture and fixtures	2–50 years
Motor vehicles	4–14 years
Leasehold improvements	Lease period

**Intangible assets**

Intangible assets which mainly comprise of software and mining rights are measured at cost. Intangible assets may be capitalized in case when they generate economic benefit and costs can be measured accurately. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Where no internally-generated intangible asset can be recognized, development expenditure is charged to the consolidated statement of profit or loss in the period in which it is incurred. The estimated useful lives of the intangible assets are determined as either a specific time or perpetual. Amortization is calculated using the straight-line method over the estimated useful life. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

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

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 2.6 Summary of Significant Accounting Policies (continued)

The amortization expenses of the intangible assets with certain estimated useful lives are reflected into the consolidated statement of profit or loss in accordance with the function of the intangible asset.

Intangible assets which mainly comprise of software and mining rights are capitalized at cost. Except for mining rights, intangible assets are amortized with respect to straight-line method over the estimated useful life (5 years) of the related intangible asset.

Mining rights are amortized based on the ratio of depletion of mining reserves to total reserves. The remaining amortization period depends on the depletion rate of the reserves.

The Group does not have any intangible assets with indefinite useful life.

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

#### Derecognition of tangible and intangible assets

Tangible and intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of tangible and intangible assets, measured as the differences between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised. This difference is accounted in profit or loss when tangible and intangible assets is derecognized.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Cirgalan ready-mix concrete facility is purchased with the amount of TL 4,640,259, the valuation of goodwill amounting to TL 3,705,259 after emerging held for property has been accounted in the Group's consolidated balance sheet. According to IFRS 3 Business Combinations Standard, the Group have accounted the provisional value due to the determination of the completion of the initial recognition process according to the combinations. As a result of these impairment tests, as of 31 December 2019, the recoverable value of goodwill is determined under the registered value and an impairment of TL 3,705,259 is found.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Impairment on non-financial assets**

At each balance sheet date, the Group assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Group estimates the recoverable amount of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset. The main estimates that are used during these analyses comprise expected inflation rates, expected increase in sales and cost of sales, expected changes in export-domestic market composition and expected growth rate of the country

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in previous years. Impairment loss on goodwill cannot be reversed in the consolidated statement of profit or loss in future periods.

**Business combinations**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Business combinations (continued)**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling inter-ests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39 Financial Instruments. The aforementioned contingent consideration is measured through fair value and gain or loss, sourcing from amendment, is recognized in profit or loss or other comprehensive income. Those, which are not in scope of TAS 39, are recognized in accordance with TAS 37 Provisions or other appropriate IFRS standards.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

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

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

### 2.6 Summary of Significant Accounting Policies (continued)

#### 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.

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

Date	31 December 2019	31 December 2018
US Dollar (“USD”)/TL	5.9402	5.2609
Euro (“EUR”)/TL	6.6506	6.0280
Ruble (“RUB”)/TL	0.0995	0.0753
Ron (“RON”)/TL	1.3832	1.2866
Sterlin (“GBP”)/TL	7.7765	6.6528

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

Date	31 December 2019	31 December 2018
USD/TL	5.6690	4.8256
EUR/TL	6.3459	5.6751
RUB/TL	0.0871	0.0760
RON/TL	1.3298	1.2125
GBP/TL	7.1988	6.3997

#### Borrowing costs

The borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs include interests and other costs related to the borrowing activity.

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

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Provisions, contingent assets and liabilities**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**Income tax**

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax. Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax can be directly related to equity accounts if it's related to the transactions in connection with the share capital in the same or different period.

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

**Provisions for employee benefits / retirement pay provision**

**a. Defined benefit plan**

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

The Group has reflected a liability using the “Projected Unit Credit Method” based on the actuarial valuation performed by independent actuaries. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate estimate of qualified actuaries.

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

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. All actuarial gains and losses are recognized in equity.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**b. Defined contribution plans**

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

**c. Seniority provision**

The Group has a liability to pay seniority incentive premium to the blue collar workers for five years period in accordance with the collective labor agreement. The Group discounts each first future payment and records the amounts to its consolidated statement of profit or loss.

**d. Vacation rights**

Liabilities arising from unused vacation rights are accrued in the periods when they are deserved.

**Leasing**

**Leasing activities - as lessee**

**Financial leasing**

Financial leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of profit or loss. Capitalized leased assets are depreciated over the estimated useful life of the asset.

**Operating lease**

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

**Related parties**

A party is related to the Company if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

*Sale of Goods*

The Group has been started to use five-stage model to recognized the revenue according to IFRS 15 “Revenue From Contracts With Customers” as of 1 January 2018.

- The identification of contracts with costumers,
- The identification of performance obligations in contracts,
- The determination of transaction price in contracts,
- The distribution of transaction fee to performance obligations,
- The revenue recognition.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills its performance obligations with respect to the relevant sales over time, it measures the progress of the fulfillment of the performance obligations and takes the proceeds to the consolidated financial statements.

- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Interest*

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

*Dividends*

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

**Earnings per share**

Basic earnings per share in the consolidated statement of profit or loss are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making distribution of free shares to existing shareholders from various internal resources. For the purpose of the earnings per share calculation such share issues are regarded as issued stock. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

**Events subsequent to the balance sheet date**

Subsequent events occurring after the balance sheet date and which may affect the Group's position at the balance sheet date are reflected in the consolidated financial statements. The issues that occur after the balance sheet date are disclosed in the notes according to their importance.



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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Accounting on transaction and delivery date**

All financial asset purchases and sales are recognized at the transaction date, in other words, on the date when the Group commits to purchase or sell. Ordinary purchases and sales are purchases and sales where the delivery period of the asset is generally determined in accordance with legislation or regulations in the markets.

**Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

- Cash,
- A contractual right to receive cash or another financial asset from another enterprise,
- A contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- An equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- To deliver cash or another financial asset to another enterprise, or
- To exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it. Transaction costs are included (deducted for financial liabilities) in the initial measurement of all financial assets and liabilities.

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a forced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

*Fair value of financial instruments*

The methods and assumptions in fair value estimation of the financial instruments of the Group are explained in Note 32.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables recognized at original invoice amount, notes and cheques receivables) are measured at amortized cost using the effective interest method, less any impairment.

Trade receivables included in the category of loans and receivables are recorded in the accounts with their invoiced amounts and are carried at net values discounted by the effective interest rate method in the following periods and if there is provision for doubtful receivables, it should be deducted.

Notes classified as trade receivables and postdated checks are carried at their discounted values by the effective interest rate method.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Available for sale financial assets**

All available for sale financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the financial asset.

After initial recognition, available for sale financial assets are measured at fair value. Gains or losses on available for sale investments are recognized as a separate component of equity, “Available for sales financial assets revaluation fund”, until the financial asset is sold, collected or otherwise disposed, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously disclosed in equity is associated to income and expense accounts.

For financial assets that are actively traded on a quoted market, fair value is determined based on the quoted market bid prices at closing on the balance sheet date. When there is no quoted market price for the equity instruments, such financial assets are stated at their costs less impairment provision if any.

*Impairment on financial assets*

Except for the financial assets whose fair value differences are accounted under profit and loss statement, financial assets or financial asset groups are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

As there is no applicable valuation method for valuation of financial investments that are not traded in the stock exchange, the related financial investments are valued with their historical costs. Loans and receivables are held to provide contractual cash flows and lead to cash flows of principal and interest. The Company analyzed the contractual cash flow characteristics of these financial instruments and decided that they should be shown at their amortized cost in accordance with IFRS 9. Therefore, there is no classification of these financial instruments.

In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the consolidated statement of profit or loss. The allowance for doubtful receivables is established through a provision charged to expenses. Provision is provided when there is objective evidence that the Group will not be able to collect the debts. The Company uses the simplified approach in IFRS 9 to calculate the expected credit losses of these financial assets. This method requires the recognition of lifetime expected credit losses for all trade receivables.

When the fair value of an available-for-sale financial asset that carried at its fair value is below its cost value of the financial asset due to the fluctuations in the market, the Group assesses the impairment by considering if the fair value decline is material, permanent and not recoverable in the long-term. In accordance with the Group’s accounting estimations and policies, in order to assess the fair value decline in the available-for-sale financial asset to be permanent and not recoverable in the long-term, at least one year should pass from the date that the fair value is below its cost of the financial asset. In case there is any impairment, such impairment is transferred from equity to the consolidated statement of profit or loss.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

**Financial liabilities**

Financial liabilities are recognized initially at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within an expected life of the asset or in a shorter period.

Bank borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

Trade payables

Trade and other payables are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Derivative financial instruments and hedge accounting

The operations of the Group expose the entity to financial risks mainly due to the change in foreign currency exchange rates and interest rates. The Group mainly utilizes derivative instruments mainly foreign currency forward contracts to hedge its foreign currency risk associated with certain binding commitments and forecasted future transactions. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is directly recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss. The Group’s policy to hedge foreign currency risk associated with a binding commitment classifies the related risk as cash flow hedge. When the hedge transaction does not result in the recognition of an asset or a liability, the amounts in equity are recognized in the consolidated statement of profit or loss when the hedged item affects the statement of profit or loss. The changes in the fair value of derivatives that do not qualify as cash flow hedge are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting. The cumulative gain or loss related with hedge instrument accounted under equity as of such date is continued to be recognized under equity until the expected realization date of the transaction.

When the hedge transaction is no longer expected to occur, the net accumulated gain or loss in equity is recognized in profit or loss of the period.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.6 Summary of Significant Accounting Policies (continued)**

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are accounted directly in equity as "Hedges funds". Furthermore, the Group is protected from foreign net investment risk arising from changes in foreign currency financial liabilities and foreign exchange rates. The effective portion of changes in the foreign exchange rates of the foreign currency financial liabilities is accounted under equity as "Hedge funds".

**Recognition and derecognition of financial instruments**

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset and when risk and benefit related to property. The Group derecognizes a financial liability when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

**Research expenses and development costs**

When research expenses realized, they are recorded as an expense. Project costs which is related to research of the product or desing of the product are considered as an intangible asset if the the project succesfully applied from commercial and technological aspects. Other development expenses are recorded as an expense when realized. Development costs recorded in the prior period can not be capitalized in the following period.

**2.7 Comparative Information**

The financial statements of the Group have been prepared comparatively with the previous period in order to enable information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to be comparative, financial statements of the previous periods are also reclassified and significant changes are disclosed.

**2.8 The new and amended standards and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and TFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at 1 January 2019**

**TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.8 The new and amended standards and interpretations (continued)**

**i) The new standards, amendments and interpretations which are effective as at 1 January 2019**

**IFRS 16 Leases(continued)**

incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

**Transition to IFRS 16**

The Group adopted IFRS 16 using the [modified retrospective approach]. The Company / the Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Company / the Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

As of January 1, 2019, the Group has applied the IFRS 16 “Leases” standard, which replaces TAS 17 “Leasing Transactions”. The group did not rearrange comparable amounts for the previous year using the simplified transition application. With this method, all right of use assets were measured from the amount of lease payables (corrected according to the lease costs that were paid in advance or accrued).

During the first implementation, the Group recorded a lease obligation regarding its leases previously classified as operational leasing in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using alternative borrowing interest rates as of January 1, 2019. As of January 1, 2019, the weighted average of the alternative borrowing rates used by the Group is 5% (Euro).

The value of the asset usage right and obligation of leases previously classified as financial leasing is based on the carrying value of the assets before the transition.

	<b>January 1, 2019</b>
Operational leasing commitments	
- Short-term leases	-
- Low value leases	-
- Contracts evaluated under IFRS 16	109,534,199
<b>Total Leasing Liability</b>	<b>109,534,199</b>
<b>Alternative borrowing rate and discounted lease liability (in TL)</b>	<b>52,802,238</b>
- Short-term lease liability	3,842,444
- Long-term lease liability	48,959,794

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**2.8 The new and amended standards and interpretations (continued)**

**i) The new standards, amendments and interpretations which are effective as at 1 January 2019  
IFRS 16 Leases(continued)**

The details regarding the right of use the assets that are recognized are as follows:

<b>Right of Use</b>	<b>January 1, 2019</b>	<b>Current Year Amortized Cost</b>	<b>December 31, 2019</b>
Buildings	43,160,749	(6,252,235)	36,908,514
Motor Vehicles	7,008,935	(6,169,160)	839,775
Others	2,986,898	(353,891)	2,633,007
	<b>53,156,582</b>	<b>(12,775,286)</b>	<b>40,381,296</b>

Amortization expense of TL 7,787,726 belonging to the interim account period of 31 December 2019 of the right of use assets has been included in the cost of the goods sold and TL 4,987,560 of it is included in the general administrative expenses.

The following are the new accounting policies on the Group's implementation of IFRS 16:

**Group – as a leaseholder**

At the beginning of a contract, the Group evaluates whether the contract has lease nature or not. If the contract delegates the right to control the use of the asset defined for a price for a certain period of time, this contract includes in lease or lease nature.

The Group considers the following conditions when evaluating whether a contract delegates its right to control the use of a defined asset for a specified period of time:

- a) The contract contains the identified asset; an asset is usually identified by expressing it explicitly or implicitly in the contract.
- b) A functional part of the asset is physically separate or represents nearly all of the asset's capacity. If the supplier has a fundamental right to substitute the asset and provides economic benefit from it, the asset is not defined.
- c) The right to receive nearly all of the economic benefits from the use of the identified asset.
- d) The right to manage the use of the identified asset. The Group considers that the asset is entitled to use if decisions regarding how and why the asset is used are predetermined. The Group has the right to manage the use of the asset in the following situations:
  - i. The Group has the right to operate the asset during its lifetime (or direct others to operate the asset in its own way) and the supplier has no right to change these operating instructions or,
  - ii. The Group has designed the asset (or specific features of the asset) to predetermine how and why the asset will be used through its lifetime.

The Group reflects a right of use and a lease liability in the financial statements at the date when the lease actually begins.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

**i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (continued)**

**Transition to TFRS 16 (continued)**

*Right of use asset*

The right to use asset is first accounted for using the cost method and includes:

- a) The first measurement amount of the lease liability,
- b) The amount obtained by deducting all lease incentives received from all lease payments made before or before the lease actually started,
- c) All initial direct costs incurred by the group and the use of the Group cost method, the existence of the right to use:
  - a. accumulated depreciation and accumulated impairment losses are deducted and
  - b. measures over the corrected cost of the lease liability.

The Group applies depreciation provisions in IAS 16 Property, Plant and Equipment while depreciating its asset. In the event that the supplier transfers ownership of the asset to the Group at the end of the lease term or if the cost of the right of use asset indicates that the Group will use a purchase option, the Group will depreciate the asset until the end of the useful life of the asset. In other cases, the Group depreciates its right of use asset from the shorter of the useful life or lease term of the asset, starting from the date the lease actually started. The Group applies TMS 36 Impairment on Assets to determine whether the right of use asset has been impaired for accounting and for any impairment loss identified.

*Lease liability*

The Company / Group measures the lease liability based on the present value of the lease payments, which were not paid on the date the lease actually started. Rent payments are discounted by using the implicit interest rate of the lease if this rate can be easily determined. If this rate cannot be determined easily, the Company uses the alternative borrowing interest rate of the Group.

The lease payments included in the measurement of the lease liability at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

- a) The amount obtained by deducting all kinds of rental incentive receivables from fixed payments,
- b) Variable lease payments based on an index or rate, using an index or rate at the date when the first measurement was actually started,
- c) the price of use of this option if the Company is reasonably sure that will use the purchase option; and
- d) in case the rental period shows that the Group will use an option to terminate the lease, penalties for termination of the lease.

After the lease actually starts, the Group measures the lease liability as follows:

- a) increases in the book value to reflect the interest on the lease obligation,
- b) reduces the book value to reflect the rent payments made; and
- c) re-measures the book value to reflect revaluations and restructurings, or to reflect the revised essence of fixed lease payments.

The interest on the lease obligation for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liability. The periodic interest rate is the implied interest rate on the lease if it can be determined easily. If this rate cannot be determined easily, the Group uses the alternative borrowing interest rate of the Group. After the lease actually started, the Group re-measures the lease obligation to reflect changes in lease payments. The Company reflects the re-measurement amount of the lease liability to its financial statements as an adjustment of the right of use asset.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

### **i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (continued)**

#### **Transition to TFRS 16 (continued)**

The Group re-measures the lease liability by reducing the revised lease payments at a revised discount rate if any of the following conditions occur:

- a) There is a change in the lease period. The Group determines the revised lease payments based on the revised lease period.
- b) There is a change in the evaluation regarding the option for the purchase of the underlying asset. The Company determines the revised lease payments to reflect the change in amounts to be paid under the purchase option.

If the Group can easily determine the revised discount rate and the implicit interest rate in the lease for the remainder of the lease period, this rate is; In case it cannot be determined easily, the Company determines the alternative borrowing interest rate on the date of re-evaluation.

The Group re-measures the lease liability by reducing the revised lease payments if any of the following conditions occur:

- a) Changes in amounts expected to be paid under a residual value commitment. The Group determines the revised lease payments to reflect the change in the amounts expected to be paid within the context of the residual value commitment.
- b) A change in these payments as a result of an index or rate used in determining future lease payments. The Group re-measures the lease liability only when there is a change in its cash flows to reflect these revised lease payments.

The Group determines the revised lease payments related to the remaining lease term according to the revised contract payments. The group then uses an unmodified discount rate.

The Group books a separate lease in accounting if both of the following conditions are provided:

- a) restructuring extends the scope of the lease by adding the right of use one or more underlying assets; and
- b) the rental price increases as much as appropriate adjustments to the price alone in order to reflect the price of the increase alone and the terms of the relevant contract.

If the short-term lease contracts with a duration is 12 months and less, lease contracts are determined as exception by the Group and also lease payments for these contracts continue to be recorded as expense in the current period.

The Company – as lessor

All of the Group's leases as the lessor are operational leases. In operational leases, the leased assets are classified under investment properties, tangible assets or other current assets in the consolidated balance sheet and the lease income obtained is reflected in the consolidated income statement during the lease period. Rent income is reflected to the consolidated income statement by linear method during the lease period.

The Group distributes the price included in the contract by applying TFRS 15, “Revenue from contracts with customers”, for a contract that contains one or more additional lease items together with a lease component.



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

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#### FOR THE YEAR ENDED 31 DECEMBER 2019

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

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

### i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (continued)

#### Amendments to TAS 28 “Investments in Associates and Joint Ventures” (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 *Financial Instruments* excludes interests in associates and joint ventures accounted for in accordance with TAS 28 *Investments in Associates and Joint Ventures*. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

#### TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

#### Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 *Business Combinations* and TFRS 11 *Joint Arrangements* — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

### **Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)**

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

### **Negative Indemnity Early Payment Features (TFRS 9 Changes)**

TFRS 9 issued minor changes in Financial Instruments so that some early payable financial assets can be measured at amortized cost.

The entity applying TFRS 9 measures the early payable financial asset as the fair value change reflected as profit or loss. In case certain conditions are provided by applying the changes, businesses can measure early repayable financial assets with negative compensation at their amortized cost.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

### **ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

### **TFRS 17 - The new Standard for insurance contracts**

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted for businesses applying TFRS 9 Financial Instruments and TFRS 15 Customer Contracts on or before this date. This standard will have no impact on the financial position and performance of the Group.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

### **Definition of a Business (Amendments to TFRS 3)**

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group

### **Definition of Material (Amendments to TAS 1 and TAS 8)**

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

### **iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)**

### **2.9 Significant accounting judgments and estimates**

- a) Reserve for retirement pay liability is determined by using actuarial assumptions such as discount rates, future salary increase and employee’s turnover rates. The estimations include significant uncertainties due to their long term nature (Note 16).
- b) Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. 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).
- c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 11, 13).
- d) In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor (Note 14).
- e) During the assessment of the reserve for obsolete inventories, inventories are physically and historically analyzed, usefulness of the inventories are determined based on the view of the technical personnel and if it is necessary, allowance is booked (Note 9).
- f) The Group performs its impairment analysis on assets by using discounted cash flows. In these analyses, there are certain an assumption about discount rates used and Group’s future operations (Note 12).
- g) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 14).

### **2.10 Convenience translation into English of consolidated financial statements originally issued in Turkish**

As of December 31, 2019, the accounting principles described in Note 2.1 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**3. SHARES IN AFFILIATED UNDERTAKINGS**

The assets and liabilities of Exsa, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 December 2018 and 31 December 2017 and revenue, expense and net profit for the periods ending 31 December 2018 and 31 December 2017 are as follows:

<u>Investments</u>	<u>Country</u>	<u>Main operating activity</u>	<u>Effective ownership (%)</u>	<b>31 December 2019</b>	<u>Effective ownership (%)</u>	<b>31 December 2018</b>
				<u>Carrying net book value</u>		<u>Carrying net book value</u>
Exsa	Turkey	Investment property and financial instruments	32.9	310,993,227	32.9	270,207,613
				<b>310,993,227</b>		<b>270,207,613</b>
				<b>31 December 2019</b>		<b>31 December 2018</b>
Assets				1,062,136,001		824,711,204
Liabilities				(116,149,000)		(2,786,907)
Net assets				945,987,001		821,924,297
Group's share				<b>310,993,227</b>		<b>270,207,613</b>
				<b>1 January- 31 December 2019</b>		<b>1 January- 31 December 2018</b>
Revenues				347,447,118		238,019,203
Expenses				(261,034,000)		(120,303,238)
Net profit for the period				86,413,118		117,715,965
Group's share in net profit				<b>28,408,313</b>		<b>38,699,123</b>

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**3. SHARES IN AFFILIATED UNDERTAKINGS (continued)**

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

Subsidiary	31 December 2019			
	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	(29,988,151)	(89,113,188)	-

  

Subsidiary	31 December 2018			
	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	(1,014,142)	119,216,748	-

Condensed financial information of Afyon Çimento T.A.Ş., the Group’s subsidiary, after consolidation adjustments and before eliminations is as follows:

**Condensed balance sheet information**

	31 December 2019	31 December 2018
Cash and cash equivalents	5,704,011	18,748,861
Other current assets	53,726,073	67,757,038
Non-current assets	565,227,155	571,056,758
<b>Total assets</b>	<b>624,657,239</b>	<b>657,562,657</b>
Short term borrowings	(37,571,390)	285,958,264
Other current liabilities	132,138,336	20,221,109
Long term borrowings	-	117,901,128
Other non-current liabilities	179,384,949	(10,666,751)
<b>Total liabilities</b>	<b>273,951,895</b>	<b>413,413,750</b>
<b>Total equity</b>	<b>350,705,344</b>	<b>244,148,907</b>

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

#### *Condensed income statement information*

	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Revenue	163,332,069	175,199,174
Gross profit	(6,598,891)	32,425,008
Operating profit/ (loss)	(16,069,295)	29,792,652
Net financial income /(expense)	(76,059,578)	(67,748,486)
Profit/ (loss) before tax	(80,911,271)	(14,311,966)
<b>Net profit for the period</b>	<b>(61,002,977)</b>	<b>2,069,677</b>

#### *Condensed cash flow information*

	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Cash flows from operating activities	22,451,166	80,575,588
Cash flows from investing activities	10,609,068	26,253,053
Cash flows from financing activities (excluding dividend)	(46,105,080)	(153,085,904)
Net increase/(decrease) in cash and cash equivalents	<b>(13,044,846)</b>	<b>(46,257,263)</b>

### 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 years ended 31 December 2019 and 31 December 2018, the information about the Group’s segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete; segment assets and liabilities as of 31 December 2019 and 31 December 2018.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**4. SEGMENT REPORTING (continued)**

<b>1 January-31 December 2019</b>	<b>Cement</b>	<b>Ready-mix concrete</b>	<b>Undistributed</b>	<b>Elimination</b>	<b>Total</b>
Sales	1,873,105,526	192,168,157	-	(339,078,046)	1,726,195,637
Cost of sales (-)	(1,625,567,772)	(135,547,863)	-	339,078,046	(1,422,037,589)
<b>Gross profit/(loss)</b>	<b>247,537,754</b>	<b>56,620,294</b>	-	-	<b>304,158,048</b>
General administrative, marketing selling distribution expenses (-)	(114,160,618)	-	(55,160,223)	-	(169,320,841)
Other operating income/(expenses) (-), net	(11,724,237)	-	47,486,943	-	35,762,706
Research and development expenses (-)	(6,445,651)	-	-	-	(6,445,651)
<b>Operating profit/ (loss)</b>	<b>115,207,248</b>	<b>56,620,294</b>	<b>(7,673,280)</b>	-	<b>164,154,262</b>

  

<b>1 January-31 December 2018</b>	<b>Cement</b>	<b>Ready-mix concrete</b>	<b>Undistributed</b>	<b>Elimination</b>	<b>Total</b>
Sales	1,449,678,553	315,176,385	-	(64,896,883)	1,699,958,055
Cost of sales (-)	(1,035,472,144)	(323,402,180)	-	64,896,883	(1,293,977,441)
<b>Gross profit/(loss)</b>	<b>414,206,409</b>	<b>(8,225,795)</b>	-	-	<b>405,980,614</b>
General administrative, marketing selling distribution expenses (-)	(82,469,545)	-	(40,374,950)	-	(122,844,495)
Other operating income/(expenses) (-), net	30,108,725	244,467	9,123,158	-	39,476,350
Research and development expenses (-)	(3,851,468)	-	-	-	(3,851,468)
<b>Operating profit/ (loss)</b>	<b>357,994,121</b>	<b>(7,981,328)</b>	<b>(31,251,792)</b>	-	<b>318,761,001</b>



(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 4. SEGMENT REPORTING (continued)

1 January - 31 December 2019					
Other segment information	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Tangible assets	170,646,716	425,798	-	-	171,072,514
Intangible assets	2,118,394	-	-	-	2,118,394
<b>Total investment expenses</b>	<b>172,765,110</b>	<b>425,798</b>	<b>-</b>	<b>-</b>	<b>173,190,908</b>
Amortization expense	(126,889,371)	(31,349)	-	-	(126,920,720)
Impairment	-	-	-	-	-
Redemption	(2,859,447)	-	-	-	(2,859,447)
1 January - 31 December 2018					
Other segment information	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Tangible assets	243,894,304	11,841,035	-	-	255,735,339
Intangible assets	1,272,948	-	-	-	1,272,948
<b>Total investment expenses</b>	<b>245,167,252</b>	<b>11,841,035</b>	<b>-</b>	<b>-</b>	<b>257,008,287</b>
Amortization expense	(105,858,602)	(654,174)	-	-	(106,512,776)
Impairment	-	-	-	-	-
Redemption	(2,503,729)	-	-	-	(2,503,729)
31 December 2019					
Assets and liabilities	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities	-	-	-	-	-
Segment assets	3,187,004,892	163,413,209	-	-	3,350,418,101
Available for sale financial investments	-	-	64,478	-	64,478
Investments accounted by equity method	-	-	310,993,227	-	310,993,227
Undistributed assets	-	-	113,280,965	-	113,280,965
<b>Total asset</b>	<b>3,187,004,892</b>	<b>163,413,209</b>	<b>424,338,670</b>	<b>-</b>	<b>3,774,756,771</b>
Segment liabilities	2,177,028,696	111,964,835	-	-	2,288,993,531
Undistributed liabilities	-	-	1,485,763,240	-	1,485,763,240
<b>Total liabilities</b>	<b>2,177,028,696</b>	<b>111,964,835</b>	<b>1,485,763,240</b>	<b>-</b>	<b>3,774,756,771</b>
31 December 2018					
Assets and liabilities	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities	-	-	-	-	-
Segment assets	2,952,217,344	154,541,659	-	-	3,106,759,003
Available for sale financial investments	-	-	64,478	-	64,478
Investments accounted by equity method	-	-	270,207,613	-	270,207,613
Undistributed assets	-	-	106,958,262	-	106,958,262
<b>Total asset</b>	<b>2,952,217,344</b>	<b>154,541,659</b>	<b>377,230,353</b>	<b>-</b>	<b>3,483,989,356</b>
Segment liabilities	2,011,494,085	34,551,264	-	-	2,046,045,349
Undistributed liabilities	-	-	1,437,944,007	-	1,437,944,007
<b>Total liabilities</b>	<b>2,011,494,085</b>	<b>34,551,264</b>	<b>1,437,944,007</b>	<b>-</b>	<b>3,483,989,356</b>

The Group does not have any particular customer which comprises 10% or more of the total sales.

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

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

**5. CASH AND CASH EQUIVALENTS**

The detail of cash and cash equivalents as of 31 December 2019 and 31 December 2018 is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Cash	18,286	986,115
Cash at banks	267,332,257	190,650,314
<i>Demand deposits</i>	31,975,327	67,659,344
<i>Time deposits with maturity of less than 3 months</i>	235,356,930	122,990,970
Checks in collection (*)	-	10,430,918
	<b>267,350,543</b>	<b>202,067,347</b>
Blocked deposits (-)	(110,063)	(430,708)
Cash and cash equivalents in consolidated cash flow statement	<b>267,240,480</b>	<b>201,636,639</b>

(\*) The maturities are due but not collected as of December 31, 2019.

The detail of bank deposits is stated below:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Turkish Liras	101,509,303	94,529,770
Euro	111,313,872	39,860,033
US Dollar	48,345,221	52,688,506
GBP	5,110,390	2,116,863
Other	1,053,471	1,455,142
	<b>267,332,257</b>	<b>190,650,314</b>

Time deposits as of 31 December 2019 and 31 December 2018 are denominated in TL, USD, and EUR with the maturity of less than three months. As of 31 December 2019, effective weighted average interest rate on time deposits is 17.13% for TL, 1.10% for USD, and 0.05% for EUR (31 December 2018 TL: 22.33%). The blocked deposit amount is TL 110,063 as of December 31, 2019 (The blocked deposit amount is TL 430.708. as of December 31, 2018).

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**6. TRADE RECEIVABLES AND PAYABLES**

**a. Trade Receivables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Short-term trade receivables</u>		
Trade receivables	405,698,813	347,614,616
Notes receivable	70,312,656	106,381,838
Due from related parties (Note 27)	2,032,726	18,497
Minus: Expected credit losses provision	(1,024,789)	-
Allowance for doubtful receivables (-)	(16,043,739)	(18,698,305)
	<b>460,975,667</b>	<b>435,316,646</b>

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 82 days (31 December 2018- 96 days). Effective interest rates used when determining the amortized cost are 16.86% for TL, 4.53% for USD and 2.14% for EUR (31 December 2018 - TL: 19.03%, USD: 4.79%, EUR: 2.47%).

The movement of the provision for doubtful receivables for the periods ended 31 December 2019 and 31 December 2018 is as follows:

	<b>2019</b>	<b>2018</b>
<u>Movements of allowance for doubtful receivables</u>		
Opening balance	18,698,305	10,764,929
Provisions during the period (Note 22)	2,940,466	7,045,950
Reversal of the provision (-) (Note 22)	(5,980,993)	(609,209)
Currency translation difference	385,961	1,496,635
Closing balance	<b>16,043,739</b>	<b>18,698,305</b>

The long term trade receivables for the periods ended 31 December 2019 and 31 December 2018 is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Long term trade receivables</u>		
Trade receivables	-	700,600
	<b>-</b>	<b>700,600</b>

**b. Trade payables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Short-term trade payables</u>		
Trade payables	289,934,400	237,493,781
Trade payables to related parties (Note 27)	63,805,500	58,574,646
	<b>353,739,900</b>	<b>296,068,427</b>

The average payment period of trade payables is 82 days (31 December 2018: 74 days). Effective interest rates used when determining the amortized cost are 16.86% for TL, 4.53% for USD and 2.14% for EUR (31 December 2018 - TL: 19.03%, USD: 4.79%, EUR 2.47%).

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**7. FINANCIAL BORROWINGS**

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

Borrowings	<b>31 December 2019</b>	<b>31 December 2018</b>
Short-term borrowings	642,788,986	788,523,502
Current portion of long-term bank loans	205,671,050	240,587,041
Short-term financial liabilities (*)	4,343,248	-
Short-term bonds issued	27,552,061	-
	<b>880,355,345</b>	<b>1,029,110,543</b>
Long-term borrowings	653,925,961	451,361,209
Long-term financial liabilities (*)	44,632,252	-
Long-term bonds issued	122,258,299	-
	<b>820,816,512</b>	<b>451,361,209</b>
Total borrowings excluding TFRS 16	<b>1,652,196,357</b>	<b>1,480,471,752</b>
Total borrowings	<b>1,701,171,857</b>	<b>1,480,471,752</b>

(\*) Right of use liabilities related to lease contracts within the scope of TFRS 16.

The details of the borrowings and financial lease liabilities as of 31 December 2019 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2019
Secured	Floating(**)	EUR	1.68%	49,085,195	188,511,366	137,934,630	326,445,996
Unsecured	Fixed	EUR	2.62%	19,916,906	112,137,535	20,321,842	132,459,377
Secured	Fixed	USD	4.50%	15,493,798	92,036,259	-	92,036,259
Unsecured	Fixed	USD	3.01%	52,450,000	73,955,490	237,608,000	311,563,490
Unsecured	Fixed	TL	11.37%	432,420,649	264,473,868	167,946,781	432,420,649
Secured	Fixed	TL	13.38%	357,270,585	144,897,579	212,373,007	357,270,586
					<b>876,012,097</b>	<b>776,184,260</b>	<b>1,652,196,357</b>

(\*\*) Çimsa has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan of 29,117,648 EUR 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 and financial lease liabilities as of 31 December 2018 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2018
Secured	Floating(*)	EUR	2.44%	66,465,676	229,462,700	171,192,396	400,655,096
Unsecured	Fixed	EUR	2.31%	18,256,045	39,396,236	70,651,202	110,047,438
Secured	Fixed	USD	4.99%	21,314,445	112,133,164	-	112,133,164
Unsecured	Fixed	USD	3.65%	19,451,747	102,333,694	-	102,333,694
Unsecured	Fixed	TL	16.56%	506,496,489	388,595,361	117,901,128	506,496,489
Secured	Fixed	TL	15.35%	248,805,866	157,189,388	91,616,483	248,805,871
					<b>1,029,110,543</b>	<b>451,361,209</b>	<b>1,480,471,752</b>

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**7. FINANCIAL BORROWINGS (continued)**

The repayment schedule of the borrowings as of 31 December 2019 and 31 December 2018 is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
To be paid within 1 year	876,012,097	1,029,110,543
To be paid between 1-2 years	613,879,297	263,350,657
To be paid between 2-3 years	162,304,963	98,817,384
To be paid between 3-4 years	-	89,193,168
To be paid between 4-5 years	-	-
More than 5 years	-	-
	<b>1,652,196,357</b>	<b>1,480,471,752</b>

Our company issued bonds with a nominal value of 150,000,000 TL, 728 days term, variable interest rate and 3 months term, indexed to the Turkish Lira Reference Interest Rate. The value date of the issue is 21 March 2019 and the redemption date is 18 March 2021. The 4th coupon payment interest of the bond to be made on March 19, 2020 was determined as 2.9971% (12.021% annually). In order to protect itself from variable interest rate risk, the IRS (Interest Rate Swap) was made with Akbank and the interest rate was fixed.

**8. OTHER RECEIVABLES AND OTHER PAYABLES**

**a. Other Receivables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short-term Other Receivables</b>		
Other miscellaneous receivables	2,788,362	897,747
Receivables from insurance claims	1,133,545	600,526
Due from personnel	575,126	600,597
Provision for doubtful other receivables (-)	(753,646)	(753,646)
	<b>3,743,387</b>	<b>1,345,224</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short-term Other Receivables</b>		
Other receivables from related parties (Note 28)	228,724	248,597
	<b>228,724</b>	<b>248,597</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Long-term Other Receivables</b>		
Deposits and guarantees given	4,009,281	3,682,965
	<b>4,009,281</b>	<b>3,682,965</b>

**b. Other payables**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Short-term Other Payables</b>		
Deposits and guarantees received	8,535,340	8,690,040
Taxes and funds payable	14,481,816	3,003,942
Other payables to related parties (Note 28)	3,537,576	1,572,923
	<b>26,554,732</b>	<b>13,266,905</b>

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**9. INVENTORIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Inventories</u>		
Raw materials	95,967,096	76,777,716
Work-in progress	41,382,133	68,653,471
Finished goods	38,590,325	38,740,746
Other inventories	15,164,281	10,125,863
Inventory impairment provision (-)	(6,329,931)	(4,042,673)
	<b>184,773,904</b>	<b>190,255,123</b>

**Inventory impairment provision movement**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Inventory impairment provision movement</u>		
Opening balance	4,042,673	3,874,368
Provisions during the period (Note 22)	2,211,564	168,305
Foreign currency translation difference	75,694	-
Closing balance	<b>6,329,931</b>	<b>4,042,673</b>

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**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Short-term Provision Expenses</u>		
Prepaid expenses	8,566,304	4,525,614
Advances given to suppliers	3,588,390	5,013,739
	<b>12,154,694</b>	<b>9,539,353</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Long-term Provision Expenses</u>		
Advances given for the purchase of fixed assets	906,118	844,373
Prepaid expenses	676,334	68,598
	<b>1,582,452</b>	<b>912,971</b>

**b. Deferred income**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Short-term Deferred Income</u>		
Advanced received	16,271,831	12,804,558
Deferred income	7,305,292	2,585,018
	<b>23,577,123</b>	<b>15,389,576</b>

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

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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
<b>Cost value</b>										
<b>Opening balance as of 1 January 2019</b>	<b>98,929,263</b>	<b>120,894,858</b>	<b>600,172,935</b>	<b>1,952,727,914</b>	<b>86,828,572</b>	<b>19,932,715</b>	<b>1,332,404</b>	<b>2,270,359</b>	<b>239,237,752</b>	<b>3,122,326,772</b>
Currency translation difference	8,234,245	348,171	10,647,414	29,246,141	607,412	452,449	100,804	-	45,263,723	94,900,359
Additions	6,251	1,236,150	104,474	10,709,636	774,840	3,548,293	5,451	6,729,852	147,957,567	171,072,514
Disposals	(10,620,824)	(2,167,300)	(86,231)	(3,267,716)	(9,416,601)	(440,187)	-	(8,998)	-	(26,007,857)
Transfers from construction in progress	-	93,194,872	99,671,055	220,748,886	-	3,047,344	-	-	(418,105,135)	(1,442,978)
<b>Closing balance as of 31 December 2019</b>	<b>96,548,935</b>	<b>213,506,751</b>	<b>710,509,647</b>	<b>2,210,164,861</b>	<b>78,794,223</b>	<b>26,540,614</b>	<b>1,438,659</b>	<b>8,991,213</b>	<b>14,353,907</b>	<b>3,360,848,810</b>
<b>Accumulated depreciation</b>										
<b>Opening balance as of 1 January 2019</b>	<b>-</b>	<b>(53,485,924)</b>	<b>(149,263,659)</b>	<b>(857,915,245)</b>	<b>(64,798,998)</b>	<b>(11,495,559)</b>	<b>(895,913)</b>	<b>(2,232,806)</b>	<b>-</b>	<b>(1,140,088,104)</b>
Currency translation difference	-	(110,808)	(5,465,237)	(11,105,223)	390,224	(308,397)	(118,898)	-	-	(16,718,339)
Charge for the period	-	(7,727,046)	(15,177,100)	(96,642,114)	(4,444,313)	(2,350,337)	(2,655)	(577,155)	-	(126,920,720)
Disposals	-	1,557,722	61,049	2,730,735	8,312,033	350,238	-	9,000	-	13,020,777
<b>Closing balance as of 31 December 2019</b>	<b>-</b>	<b>(59,766,056)</b>	<b>(169,844,947)</b>	<b>(962,931,847)</b>	<b>(60,541,054)</b>	<b>(13,804,055)</b>	<b>(1,017,466)</b>	<b>(2,800,961)</b>	<b>-</b>	<b>(1,270,706,386)</b>
<b>Net book value as of 31 December 2019</b>	<b>96,548,935</b>	<b>153,740,695</b>	<b>540,664,700</b>	<b>1,247,233,014</b>	<b>18,253,169</b>	<b>12,736,559</b>	<b>421,193</b>	<b>6,190,252</b>	<b>14,353,907</b>	<b>2,090,142,424</b>

There is mortgage or pledge over assets of the Group amounting to TL 12,056,208 as of December 31, 2019 (December 31, 2018 – TL 28,288,198). As of 31 December 2019, the capitalized financial expense on the investments in progress is 9,892,655 TL (31 December 2018: 10,000,775 TL).

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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 Improvements	Construction in Progress	Total
<b>Cost value</b>										
<b>Opening balance as of 1 January 2018</b>	<b>103.442.685</b>	<b>115.910.173</b>	<b>477.591.564</b>	<b>1.648.128.161</b>	<b>88.150.149</b>	<b>16.944.713</b>	<b>1.158.971</b>	<b>2.270.359</b>	<b>366.935.964</b>	<b>2.820.532.739</b>
Currency translation difference	1.000.657	880.865	16.949.367	30.096.217	624.958	490.187	218.790	-	5.437.224	55.698.265
Effect of facility purchased	830.259	-	2.205.000	670.000	-	-	-	-	-	3.705.259
Additions	422.056	60.076	11.426.617	3.503.825	919.194	330.259	7.460	-	239.065.852	255.735.339
Disposals	(6.485.688)	(57.267)	-	(201.556)	(2.865.729)	(73.193)	(52.817)	-	-	(9.736.250)
Transfers from construction in progress (*)	-	4.101.011	92.000.387	270.531.267	-	2.240.749	-	-	(372.201.288)	(3.327.874)
Transfers to assets hold for sale	(280.706)	-	-	-	-	-	-	-	-	(280.706)
<b>Closing balance as of 31 December 2018</b>	<b>99.209.969</b>	<b>120.894.858</b>	<b>600.172.935</b>	<b>1.952.727.914</b>	<b>86.828.572</b>	<b>19.932.715</b>	<b>1.332.404</b>	<b>2.270.359</b>	<b>239.237.752</b>	<b>3.122.607.478</b>
<b>Accumulated depreciation</b>										
<b>Opening balance as of 1 January 2018</b>	<b>-</b>	<b>(46.275.590)</b>	<b>(128.112.282)</b>	<b>(761.316.254)</b>	<b>(60.183.728)</b>	<b>(9.315.877)</b>	<b>(564.065)</b>	<b>(2.204.862)</b>	<b>-</b>	<b>(1.007.972.658)</b>
Currency translation difference	-	(484.119)	(8.022.441)	(19.084.801)	(511.503)	(317.423)	(306.730)	-	-	(28.727.017)
Charge for the period	-	(6.772.930)	(13.128.936)	(77.711.580)	(6.944.573)	(1.901.695)	(25.118)	(27.944)	-	(106.512.776)
Disposals	-	46.715	-	197.390	2.840.806	39.436	-	-	-	3.124.347
<b>Closing balance as of 31 December 2018</b>	<b>-</b>	<b>(53.485.924)</b>	<b>(149.263.659)</b>	<b>(857.915.245)</b>	<b>(64.798.998)</b>	<b>(11.495.559)</b>	<b>(895.913)</b>	<b>(2.232.806)</b>	<b>-</b>	<b>(1.140.088.104)</b>
<b>Net book value as of 31 December 2018</b>	<b>99.209.969</b>	<b>67.408.934</b>	<b>450.909.276</b>	<b>1.094.812.669</b>	<b>22.029.574</b>	<b>8.437.156</b>	<b>436.491</b>	<b>37.553</b>	<b>239.237.752</b>	<b>1.982.519.374</b>

There is mortgage or pledge over assets of the Group amounting to TL 28,288,198 as of December 31, 2018. As of 31 December 2019, there is no the capitalized financial expense on the investments in progress.

The construction in progress is related to the investments made by the Group in Afyon, Niğde, and Eskişehir plants. As of 31 December 2018, the capitalized financial expense on the construction in progress is TL 10,000,775. Total amount of the transfer is TL 3,327,874 from the construction in progress to intangible assets.



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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

The distribution of depreciation charge for the property, plant and equipment is as follows:

	<b>1 January</b>	<b>1 January</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Cost of sales	121,605,567	103,742,431
General administrative expenses	4,976,110	2,453,502
Marketing, sales and distribution expenses	239,466	229,739
Research and development expenses	99,578	87,104
	<b>126,920,721</b>	<b>106,512,776</b>

**12. GOODWILL**

The sale of the old factory and other unused lands of the company continues, and the remaining amount of TL 131,850 is reclassified in short-term assets as hold for sales assets (31 December 2018 – TL 280,706).

	<b>31 December 2019</b>	<b>31 December 2018</b>
Opening balance	280,706	97,817
Reclassified	350,517	494,965
Sales	(499,373)	(312,076)
	<b>131,850</b>	<b>280,706</b>

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**13. INTANGIBLE ASSETS**

	<u>Mining Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>Cost value</b>			
Opening balance as of 1 January 2019	31,792,544	14,641,174	46,433,718
Currency translation difference	30,218	103,136	133,354
Additions	850,000	1,268,394	2,118,394
Disposals	(350,517)	(176,110)	(526,627)
Transfers from investments	-	1,442,978	1,442,978
<b>Closing balance as of 31 December 2019</b>	<b><u>32,322,245</u></b>	<b><u>17,279,572</u></b>	<b><u>49,601,817</u></b>
<b>Accumulated amortization</b>			
Opening balance as of 1 January 2019	(20,865,454)	(7,358,007)	(28,223,461)
Currency translation difference	(584,000)	(76,437)	(660,437)
Charge for period	(592,064)	(2,267,383)	(2,859,447)
Disposals	-	176,110	176,110
<b>Closing balance as of 31 December 2019</b>	<b><u>(22,041,518)</u></b>	<b><u>(9,525,717)</u></b>	<b><u>(31,567,235)</u></b>
<b>Net book value as of 31 December 2019</b>	<b><u>10,280,727</u></b>	<b><u>7,753,855</u></b>	<b><u>18,034,582</u></b>
	<u>Mining Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<b>Cost value</b>			
Opening balance as of 1 January 2018	30,936,530	10,946,209	41,882,739
Currency translation difference	85,264	201,916	287,180
Additions	1,107,773	165,175	1,272,948
Disposals	(337,023)	-	(337,023)
Transfers from investments	-	3,327,874	3,327,874
<b>Closing balance as of 31 December 2018</b>	<b><u>31,792,544</u></b>	<b><u>14,641,174</u></b>	<b><u>46,433,718</u></b>
<b>Accumulated amortization</b>			
Opening balance as of 1 January 2018	(19,389,759)	(5,651,622)	(25,041,381)
Currency translation difference	(451,977)	(226,374)	(678,351)
Charge for period	(1,023,718)	(1,480,011)	(2,503,729)
Disposals	-	-	-
<b>Closing balance as of 31 December 2018</b>	<b><u>(20,865,454)</u></b>	<b><u>(7,358,007)</u></b>	<b><u>(28,223,461)</u></b>
<b>Net book value as of 31 December 2018</b>	<b><u>10,927,090</u></b>	<b><u>7,283,167</u></b>	<b><u>18,210,257</u></b>

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:

	<u>1 January - 31 December 2019</u>	<u>1 January - 31 December 2018</u>
Cost of sales	2,739,700	2,438,608
General administrative expenses	112,109	57,673
Marketing, sales and distribution expenses	5,395	5,400
Research and development expenses	2,243	2,048
	<b><u>2,859,447</u></b>	<b><u>2,503,729</u></b>

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**14. GOODWILL**

As of December 31, 2019, Goodwill amount is related to; Eskişehir and Ankara Cement Plants (“Standard Cement”) purchased in 2005, Çimsa Cement in TRNC, Bilecik Ready-mixed Concrete Plants purchased in 2008, Afyon Cement Industry Turkish Joint Stock Company purchased in 2012 and Cırgalan Ready-Mixed Concrete facility purchased in 2018.

Movement table as of 31 December 2019 and 31 December 2018 is shown below.

<b>31 December 2019</b>	<b>Effects of</b>			<b>Total</b>
	<b>Opening</b>	<b>purchased plant</b>	<b>Impairment</b>	
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
Cırgalan Hazır Beton Tesisi	3,705,259	-	(3,705,259)	-
	<b>151,824,511</b>	<b>-</b>	<b>(3,705,259)</b>	<b>148,119,252</b>

  

<b>31 December 2018</b>	<b>Effects of</b>			<b>Total</b>
	<b>Opening</b>	<b>purchased plant</b>	<b>Impairment</b>	
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
Cırgalan Hazır Beton Tesisi	-	3,705,259	-	3,705,259
	<b>148,119,252</b>	<b>3,705,259</b>	<b>-</b>	<b>151,824,511</b>

Goodwill amounts associated with cash generating units are subjected to impairment determination studies once a year or more frequently if conditions indicate impairment. The recoverable value of cash generating units was determined on the basis of fair value calculations deducted from usage value or sales cost. The recoverable value was determined according to the fair value calculations made according to discounted cash flow analysis. These calculations include cash flow projections in TL and are based on five-year plans between 1 January 2020 and 31 December 2024. For the cash flow forecast, the average capital cost weighted by 16.40%, and the cost and sales price increases in line with macroeconomic and market assumptions were taken into consideration.

Cırgalan ready-mixed concrete facility was purchased with a price of 4.640.259 TL, and the positive goodwill amounting to TL 3.705.259 after the valuation regarding the facility was accounted in the consolidated balance sheet of the Group. According to TFRS 3 Business Combinations Standard, impairment test was performed for the cash generating unit groups in the period after the first accounting period. As a result of the impairment tests, as of 31 December 2019, the recoverable value of goodwill was determined under the registered value and an impairment of TL 3.705.259 was found.

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**15. PROVISION, CONTINGENT ASSETS AND LIABILITIES**

**a. Short-Term Provisions**

As of 31 December 2019, there is no bonus and premium provisions for employee benefits. (31 December 2018: TL 3,428,000)

	<b>31 December 2019</b>	<b>31 December 2018</b>
Short-term provisions		
Provision for litigations	20,028,140	16,828,717
Short-term provisions for employee benefits	-	3,428,000
	<b>20,028,140</b>	<b>20,256,717</b>

The movement of “Provision for the litigations” as of 31 December 2019 and 31 December 2018 is stated below:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Provision for the litigation movement		
Opening balance	16,828,717	14,930,295
Additional provision (Note 23)	3,385,186	2,228,249
Provision no longer required (-) (Note 23)	(185,763)	(329,827)
Closing balance	<b>20,028,140</b>	<b>16,828,717</b>

As of 31 December 2019, the Group has a provision amounting to TL 20,028,140 based on the opinion of the legal advisors related to the cases which have a risk against the Group (31 December 2018: TL 16,828,717).

**b. Long-Term Provisions**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Long-term provisions		
Long-term employee benefits	43,128,555	33,842,645
Other long term provisions	4,209,071	4,260,089
	<b>47,337,626</b>	<b>38,102,734</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
Other long term provisions		
Recultivation provision	4,209,071	4,260,089
	<b>4,209,071</b>	<b>4,260,089</b>

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TL 4,209,071 under “Other Long Term Provisions” as of 31 December 2019 (31 December 2018: TL 4,260,089).

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**15. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)**

**b. Long Term Provisions (continued)**

Movement of recultivation provision as of December 31, 2019 and December 31, 2018 is as follows:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Recultivation provision movement		
Opening balance	4,260,089	4,612,793
Additional provision (Note 22)	3,632,811	323,130
Provision no longer required (-) (Note 22)	(3,683,829)	(675,834)
Closing balance	<b>4,209,071</b>	<b>4,260,089</b>

**16. COMMITMENTS**

As of 31 December 2019 and 31 December 2018, the details of the given letter of guarantee are as follows:

		<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Original Currency</b>	<b>Original Amount</b>	<b>TL Balance</b>	<b>Original Amount</b>	<b>TL Balance</b>
Letters of guarantees received	TL	337,215,804	337,215,804	408,959,306	408,959,306
Letters of guarantees received	USD	30,918,531	183,662,258	23,711,521	124,743,942
Letters of guarantees received	EUR	11,887,143	79,056,633	11,399,414	68,715,670
Letters of guarantees received	Other	26,000	26,000	26,000	26,000
Mortgages received	TL	32,752,923	32,752,923	34,306,423	34,306,423
Mortgages received	EURO	544,391	3,620,526	592,906	3,574,037
Mortgages received	RUB	42,232,560	4,034,054	175,174,835	13,197,672
Checks and Notes received	TL	19,433,646	19,433,646	19,742,262	19,742,262
Checks and Notes received	EURO	70,000	465,542	70,000	421,960
Checks and Notes received	USD	47,300	280,971	47,300	248,841
Pledge	TL	17,189,320	17,189,320	15,835,159	15,835,159
Total received CPM			<b>677,737,677</b>		<b>689,771,272</b>

As of 31 December 2019 and 31 December 2018, the details of the CPM given are as follows:

		<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Original Currency</b>	<b>Original Amount</b>	<b>TL Balance</b>	<b>Original Amount</b>	<b>TL Balance</b>
A. Total CPM given for the Company's own legal entity	TL	49,999,666	49,999,666	21,486,720	21,486,720
	USD	24,526,027	145,689,507	21,148,223	111,258,686
	EUR	3,855,373	25,640,546	4,966,275	29,936,706
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		-	-	-	-
C Total CPM given in favour of other 3rd parties for ordinary trading operations		-	-	-	-
D. Other CPM given		-	-	-	-
i Total CPM given in favour of parent entity		-	-	-	-
ii Total CPM given in favour of other Group companies out of scope of clause B and C		-	-	-	-
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			<b>221,329,719</b>		<b>162,682,112</b>

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**17. EMPLOYEE BENEFITS**

**a. Employee Benefit Obligations**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Social security payables	4,775,519	2,710,908
Personnel withholding tax	4,223,465	2,624,202
Wage and salary payables to personnel	460,665	731,667
	<b>9,459,649</b>	<b>6,066,777</b>

**b. Short Term Employee Benefits**

For the year ended December 31, 2018 the bonus accrual is TL 3.428.000 (December 31, 2017: TL 4.500.000) (Note: 14).

**c. Long Term Employee Benefits**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Retirement pay provision	36,917,551	29,122,963
Provision for unpaid vacation liability	4,797,633	3,637,726
Seniority provision	1,413,371	1,081,956
	<b>43,128,555</b>	<b>33,842,645</b>

The movement of “Retirement Pay Provision” for the periods ended 31 December 2019 and 31 December 2018 is stated below:

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Opening balance	29,122,963	28,261,383
Service cost	8,984,569	4,640,853
Interest cost (Note 22)	1,310,533	1,034,352
Actuarial loss / (gain)	4,035,330	880,424
Provision paid during the period	(6,694,941)	(6,025,599)
Currency translation difference	159,097	331,550
Closing balance	<b>36,917,551</b>	<b>29,122,963</b>

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

Such payments are calculated on the basis of one month’s pay limited to a maximum of full TL 6,379.86 as of 31 December 2019 (31 December 2018: full TL 5,434.42).

As of 31 December 2019, retirement pay provision is reflected in the consolidated financial statements by using the “Projection Method” based on actuary method and assumptions made by professional actuaries.

The main actuarial assumptions used to calculate the liability at the balance sheet dates are as follows:

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**17. EMPLOYEE BENEFITS (continued)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Net discount rate	4.50%	5.10%
Employee turnover rate	3.87%	3.73%

The movement of “Provision for Unpaid Vacation Liability” for the periods ended 31 December 2019 and 31 December 2018 is stated below:

	<b>1 January 31 December 2019</b>	<b>1 January 31 December 2018</b>
Opening balance	3,637,726	3,784,774
Additional provision	1,371,295	406,446
Provision paid during the period	(228,010)	(582,344)
Currency translation difference	16,622	28,850
Closing balance	<b>4,797,633</b>	<b>3,637,726</b>

The movement of “Seniority Provision” for the periods ended 31 December 2019 and 31 December 2018 is stated below:

	<b>1 January 31 December 2019</b>	<b>1 January 31 December 2018</b>
Opening balance	1,081,956	727,409
Additional provision	697,345	669,153
Provisions no longer required (-)	(365,930)	-
Closing balance	<b>1,413,371</b>	<b>1,081,956</b>

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**18. OTHER ASSETS AND LIABILITIES**

**a. Other Assets**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Other current assets		
Deferred VAT <sup>(1)</sup>	102,002,655	72,343,398
Job and personnel advances	872,010	800,807
Other current assets	1,328,925	3,014,861
	<b>104,203,590</b>	<b>76,159,066</b>
Other non-current assets		
Deferred VAT <sup>(2)</sup>	22,306,923	13,920,096
Export VAT <sup>(3)</sup>	1,583,352	3,902,117
Other non-current assets	348,790	2,154
	<b>24,239,065</b>	<b>17,824,367</b>

(1) According to the estimates of the Group, the part that can be returned / deducted within a year is reclassified in other current assets account.

(2) According to the Group's estimates, the portion of the transferred VAT that can be refunded / deducted in a longer term is classified as long term. (31 December 2018: TL 13,920,096)

(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**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Other short term liabilities	14,502,245	8,575,707
	<b>14,502,245</b>	<b>8,575,707</b>

**19. EQUITY, RESERVES AND OTHER EQUITY ITEMS**

As of 31 December 2018 and 31 December 2017, the composition of shareholders is as follows:

Shareholders (*)	31 December 2019		31 December 2018	
	(%)	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
<b>Rearranged share capital</b>		<b>176,825,958</b>		<b>176,825,958</b>

(\*) Public quotation of the Group in BIST is 35.65% as of 31 December 2019 (31 December 2018: 36.48%).

(\*\*) Aberdeen Asset Management Limited holds 4.83% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2018: 9.07%).

The share capital of the Group as of 31 December 2019 consists of 135,084,442 shares (31 December 2018: 135,084,442 shares). The nominal value per share is TL 1 (31 December 2018: per share TL 1).



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**19. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)**

**Restricted reserves and retained earnings**

**Legal reserves**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Group’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Group’s share capital. The legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves can not be used.

**Retained earnings**

The Ordinary General Assembly of 2017 has been held on 27 March 2018, the decisions to pay TL 67,542,221 of dividend and to allocate TL 6,078,800 of “Legal reserves” and TL 154,730,921 “Extraordinary reserves” were unanimously approved and decided to pay by 29 March 2018.

**Profit distribution**

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on financial statements of the Company.

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

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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**19. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)**

**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 Exsa Hacı Ömer Sabancı Holding A.Ş. Those shares are classified as available for sale financial assets in financial statements and accounted in available for sales financial assets revaluation reserve under shareholder’s equity by taking into consideration its deferred tax effect.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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**20. DERIVATIVE FINANCIAL INSTRUMENTS**

	31 December 2019			31 December 2018		
	Fair Value			Fair value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
<b>Short term derivative financial instruments</b>						
<b>Hedging against impaired risk</b>						
Cross Currency Swap	-	-	-	90,420,000	-	22,000,136
<b>Hedging against cash flow risk</b>						
Forward foreign exchange transactions	157,348,985	17,099,686	-	131,213,033	22,511,102	-
<b>Marketable securities</b>						
Forward foreign exchange transactions	86,066,585	-	17,038,221	68,082,233	-	19,561,894
<b>Total short term derivative financial instruments</b>		<b>17,099,686</b>	<b>17,038,221</b>		<b>22,511,102</b>	<b>41,562,030</b>
<b>Long term derivative financial instruments</b>						
<b>Hedging against impaired risk</b>						
Interest rate swap	193,649,843	1,250,775	-	221,267,267	1,395,978	-
<b>Hedging against cash flow risk</b>						
Forward foreign exchange transactions	107,583,258	23,036,946	-	153,185,034	55,936,459	-
<b>Marketable securities</b>						
Forward foreign exchange transactions	107,583,258	-	23,036,946	153,185,034	-	55,936,459
<b>Total long term derivative financial instruments</b>		<b>24,287,721</b>	<b>23,036,946</b>		<b>57,332,437</b>	<b>55,936,459</b>
<b>Total derivative financial instruments</b>		<b>41,387,407</b>	<b>40,075,167</b>		<b>79,843,539</b>	<b>97,498,489</b>

As of December 31, 2019, the Group has realized 29 million sell Euro buy Turkish Lira forward transaction with maturity of 4 years expired on March 29, 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder’s equity considering the deferred tax effect.

As of December 31, 2019, the Group has realized 29 million nominal value sell Turkish lira buy Euro forward transaction with maturity of 5 years expired on March 29, 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit or loss.

As of December 31, 2019, interest rate swap transactions consist of swap transactions in which Çimsa’s long term borrowings of EUR 29 million of floating rates are replaced with fixed installment payments to hedge against cash flow risk. Changes arising from interest rate swap transactions are recognized in the statement of change in shareholder’s equity considering the deferred tax effect.

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**21. REVENUE**

<u>Sales</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Domestic sales	860,752,184	1,081,030,595
Export sales	1,146,900,535	869,404,499
Sales discounts (-)	(33,313,934)	(42,726,383)
Other deductions (-)	(248,143,148)	(207,750,656)
	<b>1,726,195,637</b>	<b>1,699,958,055</b>
<u>Cost of sales (-) (Note:21)</u>	<u>(1,422,037,589)</u>	<u>(1,293,977,441)</u>
Gross income	<b>304,158,048</b>	<b>405,980,614</b>

**22. OPERATING EXPENSES BY NATURE**

The detail of costs of sales for the periods between 1 January – 31 December 2019 and 2018 is as follows:

<u>Cost of sales (-)</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Cost of sales		
Direct material and supplies expenses	(499,646,105)	(503,033,981)
Energy costs	(486,993,011)	(466,365,193)
Other production expenses	(137,249,508)	(134,853,580)
Depreciation and amortization expenses	(132,132,993)	(106,181,039)
Direct labor cost	(82,344,604)	(71,584,320)
Total production cost	<b>(1,338,366,221)</b>	<b>(1,282,018,113)</b>
Change in work-in-process	(27,271,338)	36,888,736
Change in finished goods	(150,421)	16,184,391
Inventory impairment provision (Note 9)	(2,211,564)	(168,305)
Cost of trade goods sold and other	(54,038,045)	(64,864,150)
	<b>(1,422,037,589)</b>	<b>(1,293,977,441)</b>

The detail of general administration expenses for the periods between 1 January – 31 December 2019 and 2018 is as follows:

<u>General administration expenses</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Personnel expenses	(59,212,020)	(46,141,771)
Consultancy expenses	(46,385,437)	(24,882,339)
Depreciation and amortization expenses	(10,075,779)	(2,511,175)
IT expenses	(6,094,297)	(5,940,324)
Tax, duty and charges	(6,155,046)	(8,275,046)
Travel expenses	(5,411,479)	(4,711,907)
Insurance expenses	(3,841,364)	(1,777,951)
Representation expenses	(3,063,299)	(2,499,883)
Rent expenses	(2,758,697)	(5,120,836)
Communication and advertising expenses	(2,514,980)	(2,319,313)
Maintenance expenses	(830,826)	(517,809)
Other miscellaneous expenses	(7,702,161)	(3,925,023)
	<b>(154,045,385)</b>	<b>(108,623,377)</b>

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**22. OPERATING EXPENSES BY NATURE (continued)**

The detail of marketing, selling and distribution expense for the periods between 1 January – 31 December 2018 and 2017 is as follows:

<u>Marketing, selling and distribution expenses</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Personnel expenses	(8,187,534)	(7,801,229)
Travel expenses	(1,462,293)	(1,615,290)
Rent expenses	(1,229,178)	(835,923)
Consultancy expenses	(880,614)	(391,473)
Representation expenses	(294,838)	(274,434)
Insurance expenses	(260,256)	(759,594)
Depreciation and amortization expenses	(244,861)	(235,139)
Communication and advertising expenses	(83,698)	(108,075)
Other miscellaneous expenses	(2,632,184)	(2,199,961)
	<u><b>(15,275,456)</b></u>	<u><b>(14,221,118)</b></u>

The detail of research and development expenses for the periods between 1 January – 31 December 2019 and 2018 is as follows:

<u>Research and development expenses</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Personnel expenses	(3,539,651)	(2,489,023)
Outsourced benefits and services	(1,709,499)	(111,882)
Travel expenses	(298,747)	(331,046)
Depreciation and amortization expenses	(101,821)	(89,152)
Rent expenses	(43,833)	(40,261)
Maintenance expenses	(25,769)	(20,595)
Transportation expenses	(5,861)	(5,611)
Other miscellaneous expenses	(720,470)	(763,898)
	<u><b>(6,445,651)</b></u>	<u><b>(3,851,468)</b></u>

**23. OTHER OPERATING INCOME AND EXPENSES**

<u>Other operating income</u>	<u>1 January- 31 December 2019</u>	<u>1 January- 31 December 2018</u>
Foreign exchange gain from operating activities	95,105,448	87,724,619
Insurance damage compensation income	16,523,075	-
Provisions no longer required (Note 6/15)	9,850,585	1,614,870
Overdue and interest income from operating activities	2,789,173	2,245,872
Premiums and incentives received	271,605	422,183
Other income	3,251,583	9,259,032
	<u><b>127,791,469</b></u>	<u><b>101,266,576</b></u>

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**23. OTHER OPERATING INCOME AND EXPENSES (continued)**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<u>Other operating expense</u>		
Foreign exchange loss from operating activities	(65,226,727)	(38,564,850)
Provision expenses (Note 6/15)	(9,958,463)	(9,597,329)
Compensation and penalty expenses	(1,786,649)	(3,326,248)
Interest expense of retirement pay provision (Note 17)	(1,310,533)	(1,034,352)
Litigation, levy and court paid expenses	(479,177)	(300,511)
Donations and grants	(312,388)	(271,341)
Other expenses	(12,954,826)	(8,695,595)
	<b>(92,028,763)</b>	<b>(61,790,226)</b>

**24. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<u>Income from investment activities</u>		
Fixed assets sales income (*)	46,183,410	28,279,013
Rent income	1,026,868	2,426,601
	<b>47,210,278</b>	<b>30,705,614</b>
<u>Expense from investment activities</u>		
Fixed asset sales expense	-	(8,354)
	<b>-</b>	<b>(8,354)</b>

(\*) Fixed assets sales income is related to the ongoing sale of the old factory land of Afyon, and also related to Niğde and Antalya land sales.

**25. FINANCIAL INCOME / EXPENSE**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<u>Financial income</u>		
Interest income	6,098,730	5,141,861
Total financial income	<b>6,098,730</b>	<b>5,141,861</b>
<u>Financial expenses</u>		
Interest expenses of bank borrowings	(204,144,621)	(139,443,432)
Foreign exchange loss on bank borrowings	(70,790,861)	(76,268,267)
Other financial expenses	(2,937,289)	(2,476,679)
Total financial expenses	<b>(277,872,771)</b>	<b>(218,188,378)</b>

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**26. INCOME TAXES**

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries where the Group is operating.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders’ equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 22% over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2019, and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders’ shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2019, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

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.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10<sup>th</sup> article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**26. INCOME TAXES (continued)**

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2019 and 2018, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statement.

In accordance with the “General Communiqué” (Serial no:1) on “Disguised Profit Distribution Through Transfer Pricing” was published in November 2007, the forms should be prepared until the deadline of annual corporate tax return.

As of 31 December 2019 and 31 December 2018, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Assets related to the current period taxes</u>		
Prepaid taxes and funds	3,078,501	2,526,430
	<b>3,078,501</b>	<b>2,526,430</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Corporate tax payable</u>		
Current period corporate tax provision	(7,964,053)	(11,217,802)
Prepaid taxes and funds (-)	7,676,664	5,106,303
	<b>(287,389)</b>	<b>(6,111,499)</b>
	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<u>Tax (expense)/income</u>		
Current period corporate tax (expense)/income	(7,964,053)	(11,217,802)
Deferred tax (expense)/income	24,775,568	(10,036,216)
	<b>16,811,515</b>	<b>(21,254,018)</b>



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

**26. INCOME TAXES (continued)**

Detail of deferred tax assets and liabilities of the Group as of December 31, 2019 and December 31, 2018 is as follows:

	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>Deferred tax assets:</u>		
Tax losses carried forward	27,225,613	9,813,587
Provision for employee benefits	2,127,913	7,637,338
Tangible and intangible assets	7,566,318	4,145,478
Provision of mine site rehabilitation	887,808	805,203
Provision for doubtful receivables	1,551,849	1,792,720
Assets arising from cash capital increase tax incentive	8,220,890	5,110,370
Provision for litigations	4,406,163	3,685,602
Inventory impairment provision	1,184,258	755,307
Rediscount of payables and borrowings	8,710	-
Rediscount of receivables	799,164	272,248
Other	5,183,759	6,723,042
	<b>59,162,445</b>	<b>40,740,895</b>
<u>Deferred tax liabilities:</u>		
Property, plant and equipment and intangible assets	(26,801,818)	(24,823,066)
Inventories	(340,200)	-
Rediscount of payables and borrowings	-	(1,289,005)
Goodwill	(24,737,532)	(24,589,322)
Other	(380,154)	-
	<b>(52,259,704)</b>	<b>(50,701,393)</b>
Net deferred tax asset / (liability)	<b>6,902,741</b>	<b>(9,960,498)</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
<u>The balance sheet presentation of the deferred tax (assets) / liabilities</u>		
Deferred tax (assets)	59,162,445	40,740,895
Deferred tax liabilities	(52,259,704)	(50,701,393)
	<b>6,902,741</b>	<b>(9,960,498)</b>

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

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**26. INCOME TAXES (continued)**

<b>Deferred tax (assets)/ liabilities movement</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Opening balance	9,960,498	25,835,740
Deferred tax (income)/expense	(24,775,568)	10,036,216
Accounted under other comprehensive income	17,257,797	(20,507,481)
Currency translation difference	(9,345,468)	(5,403,977)
Closing balance	<b>(6,902,741)</b>	<b>9,960,498</b>
<b>Tax reconciliation:</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Profit before taxation	(32,001,188)	175,110,867
Effective statutory income tax rate	22%	22%
Tax expense at the effective statutory income tax rate	7,040,261	(38,524,391)
Reconciliation of tax provision calculated with deductible:		
-Non-deductible expenses	(682,696)	(1,156,403)
- Effect of cash capital increase on tax incentive assets	8,220,890	5,110,370
-Tax exemption from sale of land	4,774,115	1,596,760
-Tax rate change effect (22%-20%)	-	(3,502,217)
-Effect of the profit from investments accounted by equity method	6,249,829	8,513,807
-Other	(8,790,884)	6,708,056
Tax expense in the income statement	<b>16,811,515</b>	<b>(21,254,018)</b>

"The Law on Amendment to Certain Laws and Decree Laws" (Law No: 6637) has been promulgated in the Official Gazette dated 7 April 2015 and the Article will enter into force as from 1 July 2015. Capital companies are allowed a deemed interest deduction that is equal to 50% of the interest calculated on the cash capital increase in the registered capital of the existing corporations or cash capital contributions of the newly incorporated corporations based on the average interest rate announced by the Central Bank of Turkey for TL denominated commercial loans, from their Corporate tax base of the relevant year. Within the scope of the authorization provision in the legal regulation, the Council of Ministers amended this rate with the Decision no. 2015/7910 published in the Official Gazette dated 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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**27. EARNINGS PER SHARE**

Earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Number of shares	135,084,442	135,084,442
Profit attributable to equity holders of the parent – TL	13,169,480	154,925,532
Dividend per share with nominal value of 1 Kr – TL	0.0975	1.1469

**Dividends distributed per share:**

The dividend per share distributed in 2018 from 2017 profit is stated below:

Dividend amount distributed	67,542,221
Number of shares with nominal value of 1 Kr	135,084,442
Dividend per share (Kr)	0.5000

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

**28. RELATED PARTY DISCLOSURES**

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity’s financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 December 2019 and 31 December 2018 and the related party transactions for the years ended 31 December 2019 and 31 December 2018 are mainly as follows:

**Short-term trade receivables from related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Akçansa Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	2,006,838	3,100
Karçimsa Çimento San. ve Tic. A.Ş.	25,888	-
Enerjisa Enerji A.Ş. <sup>(2)</sup>	-	10,177
Teknosa <sup>(2)</sup>	-	5,220
	<b>2,032,726</b>	<b>18,497</b>

(1) Parent company

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

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

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**28. RELATED PARTY DISCLOSURES (continued)**

**Other receivables to related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Ak Finansal Kiralama A.Ş.	223,504	223,504
Teknosa İç ve Dış Ticaret A.Ş.	5,220	
Avivasa Emeklilik Hayat A.Ş. <sup>(3)</sup>	-	25,093
	<b>228,724</b>	<b>248,597</b>

**Short-term trade payables to related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Enerjisa Enerji A.Ş. <sup>(2) (*)</sup>	63,670,705	58,562,205
Akçansa Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	-	12,441
Other	134,795	-
	<b>63,805,500</b>	<b>58,574,646</b>

**Other payables to related parties (short term)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Sabancı Dıx <sup>(2)</sup>	2,983,076	1,319,525
Aksigorta A.Ş. <sup>(3)</sup>	12,924	64,390
Teknosa <sup>(3)</sup>	59,083	3,504
Other	482,493	185,504
	<b>3,537,576</b>	<b>1,572,923</b>

**Bank balances deposited in related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. <sup>(2)</sup>	162,445,305	199,233,840
	<b>162,445,305</b>	<b>199,233,840</b>

**Borrowings from related parties**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Akbank T.A.Ş. <sup>(2)</sup>	500,875,673	283,145,528
	<b>500,875,673</b>	<b>283,145,528</b>

**Sales to related parties**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Akçansa Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	3,733,452	934,704
Enerjisa Enerji A.Ş. <sup>(2)</sup>	355,672	-
Sabancı Dıx	-	12,658
Other	650,432	-
Teknosa <sup>(3)</sup>	-	4,207
	<b>4,739,556</b>	<b>951,569</b>

(1) Parent company(2) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.(3) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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**28 RELATED PARTY DISCLOSURES (continued)**

**Purchases and services received from related parties**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Enerjisa Enerji A.Ş. <sup>(3)</sup>	186,438,421	131,156,473
Sabancı Dx	11,746,755	4,580,613
Aksigorta A.Ş.	5,182,055	5,878,859
Ak Finansal Kiralama	2,651,739	-
Ak Yatırım	1,666,028	-
Avivasa Emeklilik ve Hayat A.Ş. <sup>(3)</sup>	344,317	289,039
CarrefourSA	-	227,170
Teknosa	218,626	125,427
Sabtek-San	2,889	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. <sup>(3)</sup>	278,908	48,492
Hacı Ömer Sabancı Holding. A.Ş. <sup>(3)</sup>	-	133,046
Other	1,395,581	-
	<b>209,925,319</b>	<b>142,439,119</b>

**Interest income from related parties**

	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
Akbank T.A.Ş. <sup>(2)</sup>	4,534,086	1,847,295
	<b>4,534,086</b>	<b>1,847,295</b>

**Interest expenses from related parties**

	<b>1 January – 31 December 2019</b>	<b>1 January – 31 December 2018</b>
Akbank T.A.Ş. <sup>(2)</sup>	(50,846,056)	(36,010,032)
	<b>(50,846,056)</b>	<b>(36,010,032)</b>

**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 TL 10,948,084 (31 December 2018 – TL 14,002,242). The contributions paid to Social Security Institution are TL 690,367 (31 December 2018 – TL 1,238,993),

(1) Parent company

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10))

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 29. FOREIGN CURRENCY RISK

As of 31 December 2019 and 31 December 2018, the Group’s foreign currency position in terms of the original currency is as follows:

	31 December 2019				31 December 2018			
	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
Trade receivables	198,844,035	26,853,698	5,553,867	307,484	140,255,188	19,951,155	5,855,036	-
Monetary financial assets	151,740,580	7,817,898	15,064,853	657,158	93,431,844	10,812,670	5,711,806	318,167
Other	60,363,341	2,727,396	6,637,473	2,429	-	-	-	-
<b>Current Assets</b>	<b>410,947,956</b>	<b>37,398,992</b>	<b>27,256,193</b>	<b>967,071</b>	<b>233,687,032</b>	<b>30,763,825</b>	<b>11,566,842</b>	<b>318,167</b>
<b>TOTAL ASSET</b>	<b>410,947,956</b>	<b>37,398,992</b>	<b>27,256,193</b>	<b>967,071</b>	<b>233,687,036</b>	<b>30,763,825</b>	<b>11,566,842</b>	<b>318,167</b>
Trade payables	(46,730,866)	(5,286,452)	(2,249,644)	(47,168)	(49,166,246)	(8,722,170)	(544,091)	-
Financial liabilities	(526,184,183)	(21,493,798)	(59,920,417)	-	(572,579,391)	(32,000,000)	(67,058,824)	-
Other	(16,629,791)	(271,656)	(2,254,741)	(2,664)	-	-	-	-
<b>Short Term Liabilities</b>	<b>(589,544,840)</b>	<b>(27,051,906)</b>	<b>(64,424,802)</b>	<b>(49,832)</b>	<b>(621,745,637)</b>	<b>(40,722,170)</b>	<b>(67,602,915)</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>(589,544,840)</b>	<b>(27,051,906)</b>	<b>(64,424,802)</b>	<b>(49,832)</b>	<b>(621,745,637)</b>	<b>(40,722,170)</b>	<b>(67,602,915)</b>	<b>-</b>
<b>Net foreign currency asset liability position</b>	<b>(178,596,885)</b>	<b>10,347,086</b>	<b>(37,168,610)</b>	<b>917,239</b>	<b>(388,058,604)</b>	<b>(9,958,345)</b>	<b>(56,036,073)</b>	<b>318,167</b>
<b>Off balance sheet derivative financial instruments net asset/liability position</b>	<b>229,291,030</b>	<b>6,000,000</b>	<b>29,117,648</b>	<b>-</b>	<b>407,081,391</b>	<b>12,000,000</b>	<b>57,058,824</b>	<b>-</b>
<b>Net foreign currency asset / liability position for monetary items</b>	<b>50,694,145</b>	<b>16,347,086</b>	<b>(8,050,962)</b>	<b>917,239</b>	<b>19,022,787</b>	<b>2,041,655</b>	<b>1,022,751</b>	<b>318,167</b>
Export	940,901,942	111,985,229	46,381,587	1,628,309	705,508,548	84,825,592	41,179,979	1,655,946
Import	202,086,746	34,288,780	1,213,784	-	197,975,631	34,206,628	2,989,048	-

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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**29. FOREIGN CURRENCY RISK (continued)**

The Group is mainly exposed to currency risk denominated in USD, EUR and GBP.

The table below shows the Group’s sensitivity to a 10% increase in USD, Euro and GBP exchange rates. The 10% rate is the rate used in the reporting of the currency risk within the Group to the top management and represents the probable change that the management expects in foreign exchange rates. The sensitivity analysis only covers the monetary items denominated in foreign currency and presents the impact of the 10% change in foreign exchange rates of these monetary items at year-end. This analysis covers, as well as external loans, the loans denominated in a currency other than the functional currency of the parties taking the loan. Positive value represents the increase in other equity items in profit/loss.

	Profit /Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2019				
1- USD net assets / liabilities	6,146,376	(6,146,376)	6,146,376	(6,146,376)
2- Hedged portion of USD risk (-)	3,564,120	(3,564,120)	3,564,120	(3,564,120)
3- USD net effect (1+2)	9,710,496	(9,710,496)	9,710,496	(9,710,496)
4- Net EUR assets/liabilities	(24,719,355)	24,719,355	(24,719,355)	24,719,355
5- Hedged portion of EUR risk (-)	19,364,983	(19,364,983)	19,364,983	(19,364,983)
6- EUR net effect (4+6)	(5,354,372)	5,354,372	(5,354,372)	5,354,372
7- Net GBP assets/liabilities	713,291	(713,291)	713,291	(713,291)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	713,291	(713,291)	713,291	(713,291)
<b>TOTAL (3+6+9)</b>	<b>5,069,415</b>	<b>(5,069,415)</b>	<b>5,069,415</b>	<b>(5,069,415)</b>

	Profit /Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2018				
1- USD net assets / liabilities	(5,238,986)	5,238,986	(5,238,986)	5,238,986
2- Hedged portion of USD risk (-)	6,313,080	(6,313,080)	6,313,080	(6,313,080)
3- USD net effect (1+2)	1,074,094	(1,074,094)	1,074,094	(1,074,094)
4- Net EUR assets/liabilities	(33,778,545)	33,778,545	(33,778,545)	33,778,545
5- Hedged portion of EUR risk (-)	34,395,059	(34,395,059)	34,395,059	(34,395,059)
6- EUR net effect (4+6)	616,514	(616,514)	616,514	(616,514)
7- Net GBP assets/liabilities	211,670	(211,670)	211,670	(211,670)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	211,670	(211,670)	211,670	(211,670)
<b>TOTAL (3+6+9)</b>	<b>1,902,278</b>	<b>(1,902,278)</b>	<b>1,902,278</b>	<b>(1,902,278)</b>

*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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**29. FOREIGN CURRENCY RISK (continued)**

The Group's interest rate sensitive financial instruments are as follows:

**Interest position table**

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Fixed rate instruments</b>		
Time deposits	235,356,930	122,990,970
Loans	1,325,750,361	1,079,816,656
<b>Variable rate financial instruments</b>		
Loans (*)	326,445,996	400,655,096

(\*) The Group has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan with floating interest rate.

**30. AVAILABLE FOR SALE FINANCIAL INVESTMENTS**

Available for sale financial assets at fair value designated through other comprehensive income/loss:

<u>Company</u>	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Percentage of ownership (%)</u>	<u>Amount</u>	<u>Percentage of ownership (%)</u>	<u>Amount</u>
Mesbaş Mersin Serbest Böl. İşl. A.Ş. (Mesbaş)	0.41	52,712	0.41	52,712
Anfas Antalya Fuarçılık A.Ş. (Anfas)	0.02	11,766	0.02	11,766
		<u>64,478</u>		<u>64,478</u>

**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**a. Capital management**

The Group manages its capital by maintaining permanence of its operations and on the other hand by reviewing terms of the trade receivables, trade payables and financial liabilities and cash from operations by using the debt and equity ratio in the most efficient way. The Group's top management evaluates the cost of capital and the risks which are associated with every equity account and presents to Board of Directors those which depend on their decision. The Group's objective is to maintain the stability of capital structure by taking new debts or repayment of debts and also via dividend payments, depending on the decisions of Board of Directors.

The Group follows the debt to equity ratio in the capital management in parallel with other companies in the sector. Net debt is calculated by dividing net debt to total equity. Net debt/ equity ratios at 31 December 2019 and 31 December 2018 are as follows:

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Total financial borrowings	7	1,701,171,857	1,480,471,752
Less: Cash and cash equivalents	5	267,350,543	202,067,347
Net debt		1,433,821,314	1,278,404,405
Equity		1,485,763,239	1,451,479,380
Total liabilities		<u>2,919,584,553</u>	<u>2,729,883,785</u>
Net debt / Equity ratio (%)		97%	%88



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**30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

**b. Financial risk factors**

The Group’s principal financial instruments are cash, short-term time deposits and bank borrowings. The main purpose of use of these financial instruments is to raise finance for the Group’s operations and to hedge interest rate risk. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group’s financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. As explained below, the Board of Directors is responsible from the procedures necessary to follow and manage these risks.

**c. Credit risk management**

The majority of the trade receivables are guaranteed by the bank letters and / or credit limits. The credit reviews are performed continuously over the accounts receivable balances of the customers. The Group does not have a significant credit risk arising from any customer.

The aging of the assets that are overdue but not subject to any impairment as of 31 December 2019 and 2018 is as follows:

31 December 2019	<u>Receivables</u>		Demand deposit	Derivative Financial Instruments		Total
	Trade Receivables	Other Receivables		Other		
Overdue 1-30 days	19,999,316	-	-	-	-	19,999,316
Overdue 1-3 months	918,848	-	-	-	-	918,848
Overdue 3-12 months	9,212,005	-	-	-	-	9,212,005
Total overdue receivables	30,130,169	-	-	-	-	30,130,169
Secured part via collateral etc.	23,950,511	-	-	-	-	23,950,511

31 December 2018	<u>Receivables</u>		Demand deposit	Derivative Financial Instruments		Total
	Trade Receivables	Other Receivables		Other		
Overdue 1-30 days	13,930,594	-	-	-	-	13,930,594
Overdue 1-3 months	4,992,966	-	-	-	-	4,992,966
Overdue 3-12 months	24,832,848	-	-	-	-	24,832,848
Total overdue receivables	43,756,408	-	-	-	-	43,756,408
Secured part via collateral etc.	29,244,584	-	-	-	-	29,244,584

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#### 30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

##### c. Credit risk management (continued)

The credit risk of the Group for each financial instrument type is as follows:

	<u>Receivables</u>		<u>Receivables</u>		<u>Bank Deposits</u>		<u>Derivative Financial Instruments</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		<u>Related Party</u>	<u>Third Party</u>	
	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>			
<b>31 December 2019</b>							
Maximum credit exposures as of report date (1) (A+B+C+D+E)	2,032,726	458,942,941	228,724	7,752,668	162,445,305	104,886,952	41,387,407
Secured Part of maximum credit risk exposure via collateral etc.	-	253,393,928	-	-	-	-	-
A. Net book value for the financial assets that are neither overdue nor impaired (2)	2,032,726	428,812,771	228,724	7,752,668	162,445,305	104,886,952	41,387,407
B. Carrying amount of financial assests that are renegotiated , otherwise classified as overdue or impaired (3)	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	30,130,169	-	-	-	-	-
- Secured part via collateral etc.	-	23,950,511	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	16,043,739	-	753,646	-	-	-
- Impairment (-)	-	(16,043,739)	-	(753,646)	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-Balance sheet financial assets exposed to credit risk	-	-	-	-	-	-	-

(1) When determining the amount, the guarantees received and factors increasing the credibility are not considered.

(2) The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.

(3) The Group did not have any collection problems with these customers in the past.

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**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

**c. Credit risk management (continued)**

	<u>Receivables</u>				<u>Bank Deposits</u>		<u>Derivative Financial Instruments</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		<u>Related Party</u>	<u>Third Party</u>	
<b>31 December 2018</b>	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>	
Maximum credit exposures as of report date (1) (A+B+C+D+E)	18,497	420,638,963	248,597	5,028,189	199,233,840	6,776,260	79,843,539
Secured Part of maximum credit risk exposure via collateral etc.	-	689,771,272	-	-	-	-	-
A. Net book value for the financial assets that are neither overdue nor impaired (2)	18,497	376,882,555	248,597	5,028,189	199,233,840	6,776,260	79,843,539
B. Carrying amount of financial assests that are renegotiated , otherwise classified as overdue or impaired (3)	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	43,756,408	-	-	-	-	-
- Secured part via collateral etc.	-	29,244,584	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	18,698,305	-	753,646	-	-	-
- Impairment (-)	-	(18,698,305)	-	(753,646)	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-Balance sheet financial assets exposed to credit risk	-	-	-	-	-	-	-

(1) When determining the amount, the guarantees received and factors increasing the credibility are not considered.

(2) The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.

(3) The Group did not have any collection problems with these customers in the past.

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**31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)****d. Foreign currency risk management**

When necessary, the Group enters into derivative transactions to manage its exchange rate exposures. In this context, the Group's main preference is foreign currency forward transactions. The Group manages foreign currency purchase / sale forward contracts with maturities less than one year. The details of unrealized foreign currency purchase/sale forward contracts as of the date of the report are disclosed in Note 20.

**e. Interest rate risk management**

The Group is exposed to the interest rate risk through the impact of interest rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities. The Group has fixed the interest rate of "2,15% + Eurlibor" variable interest rate in Euro terms with "2,15% + 0,30%". Çimsa swapped an interest rate swap for its long-term loan with a floating interest rate of EUR 29,117,648. The maturity date of the transaction is March 29, 2022 and it is accounted under equity by applying hedge accounting.

**f. Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The current and prospective risk of funding the debts is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of derivative and non-derivative financial assets and liabilities according to their maturities is disclosed considering the period elapsed from balance sheet date to due date.

31 December 2019	Net Book Value	Contractual Total Cash Outflow (I+II+III+IV)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More Than 5 Years (IV)
<b>Contractual maturities</b>						
Bank Borrowings	1,701,171,857	1,818,866,774	451,416,483	689,533,201	677,917,090	-
Trade Payables	353,739,900	356,777,843	356,777,843	-	-	-
Other Payables, Liabilities and Deferred Income	64,634,100	64,634,100	64,634,100	-	-	-
<b>Total liabilities</b>	<b>2,119,545,857</b>	<b>2,240,278,717</b>	<b>872,828,426</b>	<b>689,533,201</b>	<b>677,917,090</b>	<b>-</b>
<b>Derivative financial liabilities</b>						
Unrealized purchase / sale commitments (net)	40,075,167	40,075,167	-	-	40,075,167	-
	<b>40,075,167</b>	<b>40,075,167</b>	<b>-</b>	<b>-</b>	<b>40,075,167</b>	<b>-</b>

**31 December 2018**

31 December 2018	Net Book Value	Contractual Total Cash Outflow (I+II+III+IV)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More Than 5 Years (IV)
<b>Contractual maturities</b>						
Bank Borrowings	1,480,471,752	1,621,075,117	478,828,492	621,609,687	520,636,938	-
Trade Payables	296,068,427	298,122,936	298,122,936	-	-	-
Other Payables, Liabilities and Deferred Income	37,232,188	37,232,188	37,232,188	-	-	-
<b>Total liabilities</b>	<b>1,813,772,367</b>	<b>1,956,430,241</b>	<b>814,183,616</b>	<b>621,609,687</b>	<b>520,636,938</b>	<b>-</b>
<b>Derivative financial liabilities</b>						
Unrealized purchase / sale commitments (net)	97,498,489	97,498,489	-	-	97,498,489	-
	<b>97,498,489</b>	<b>97,498,489</b>	<b>-</b>	<b>-</b>	<b>97,498,489</b>	<b>-</b>

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#### 32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

##### The classification and fair value of the financial instruments

	Cash and cash equivalents	Loans and receivables	Available for sale financial assets	Financial liabilities at financial cost	Derivative financial instruments accounted under equity	Derivative financial instruments through income statement	Carrying value	Note
<b>31 December 2019</b>								
<u>Financial assets</u>								
Cash and cash equivalents	267,350,543	-	-	-	-	-	267,350,543	5
Trade receivables	-	460,975,667	-	-	-	-	460,975,667	6
Financial investments	-	-	64,478	-	-	-	64,478	30
Other financial assets	-	21,718,538	-	-	-	-	21,718,538	8/10
Derivative financial assets	-	-	-	-	41,387,407	-	41,387,407	20
	-	-	-	-	-	-	-	-
<u>Financial liabilities</u>								
Financial liabilities	-	-	-	1,701,171,857	-	-	1,701,171,857	7
Trade payable	-	-	-	353,739,900	-	-	353,739,900	6
Other financial liabilities	-	-	-	64,634,100	-	-	64,634,100	8/10/18
Derivative financial liabilities	-	-	-	-	-	40,075,167	40,075,167	20
	-	-	-	-	-	-	-	-
<b>31 December 2018</b>								
<u>Financial assets</u>								
Cash and cash equivalents	217,427,133	-	-	-	-	-	217,427,133	5
Trade receivables	-	420,657,460	-	-	-	-	420,657,460	6
Financial investments	-	-	64,478	-	-	-	64,478	29
Other financial assets	-	15,729,110	-	-	-	-	15,729,110	8/10
Derivative financial liabilities	-	-	-	-	79,843,539	-	79,843,539	19
	-	-	-	-	-	-	-	-
<u>Financial liabilities</u>								
Financial liabilities	-	-	-	1,480,471,752	-	-	1,480,471,752	7
Trade payable	-	-	-	296,068,427	-	-	296,068,427	6
Other financial liabilities	-	-	-	37,232,188	-	-	37,232,188	8/10/17
Derivative financial liabilities	-	-	-	-	-	97,498,489	97,498,489	19

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

**The classification and fair value of the financial instruments**

The Company estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. However, market data, and judgment is required to estimate the fair values. As a result, the estimates presented here, may not be an indicative of the amounts by which the Company could obtain in a current market transaction.

**Financial assets-** The fair values of certain financial assets carried at cost, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for doubtful receivables is estimated to be their fair values.

**Financial liabilities-** Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of long-term bank borrowings with variable interest rates are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of long-term bank borrowings with fixed interest rates considered to approximate their respective carrying values due to the fact that fixed rate is the rate applicable as of balance sheet date. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

**Fair value hierarchy table**

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows;

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of 31 December 2019, the fair value hierarchy table of the Company’s assets and liabilities at fair value are as follows:

<b><u>Financial assets and liabilities at fair value</u></b>	<b>The level of fair value at the reporting date</b>			
	<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets and liabilities at fair value through income/loss</b>				
Derivative financial assets	41,387,407	-	41,387,407	
Derivative financial liabilities	(17,038,221)	-	(17,038,221)	
<b>Financial assets and liabilities at fair value through other comprehensive income/loss</b>				
Available for sale financial assets	64,478	-	-	64,478
Derivative financial liabilities	(23,036,946)	-	(23,036,946)	
<b>Total</b>	<b>1,376,718</b>	<b>-</b>	<b>1,312,240</b>	<b>64,478</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

<u>Financial assets and liabilities at fair value</u>	The level of fair value at the reporting date			
	31 December 2018	Level 1	Level 2	Level 3
<b>Financial assets and liabilities at fair value through income/loss</b>				
Derivative financial assets	79,843,539		79,843,539	
Derivative financial liabilities	(41,562,030)	-	(41,562,030)	-
<b>Financial assets and liabilities at fair value through other comprehensive income/loss</b>				
Available for sale financial assets	64,478	-	-	64,478
Derivative financial liabilities	(55,936,459)	-	(55,936,459)	-
<b>Total</b>	<b>(17,590,472)</b>		<b>(17,654,950)</b>	<b>64,478</b>

**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.

	31 December 2019	31 December 2018
Fair value difference reflects other comprehensive income / loss derivative financial assets and liabilities (*)	(40,075,167)	(97,498,489)
Total	<b>(40,075,167)</b>	<b>(97,498,489)</b>
	31 December 2019	31 December 2018
Fair value difference reflects over income / loss financial	41,387,407	79,843,539
Total	<b>41,387,407</b>	<b>79,843,539</b>

(\*) Derivative instruments detailed in Note 18 consist of forward purchase / sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of December 31, 2019, the revaluation amount of the Group's hedged transactions is EUR 29,117,648 (2018:TL 57,058,824), which is presented in the consolidated statement of financial position as "Derivative financial assets" and "Equity"

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **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**

In the Group decision on January 21, 2020, Afyon Çimento Sanayi Türk Anonim Şirketi Subsidiary's issued capital, which was TL 100,000,000 within the registered capital ceiling of TL 450,000,000, was increased TL 300.000.000 (300%) to TL 400,000,000. It was decided not to restrict the existing shareholders' right to buy new shares and to use the new share rights over the nominal value of 1 TL nominal value for 1 lot of shares. In case there are shares that cannot be sold after the sale of new shares that are not used and offered to the public, the shares in question are committed to the purchase of the shares in full and in cash, on the average of the public offering price.

According to the investigation pursued by the Competition Authority of the Group's Afyon Cement Industry Subsidiary of the Competition Authority dated 28.01.2020 and numbered 77234294-110.01.04-E.1618, with the file number 2017-5-046, It was decided that there was no violation of Article 4 of the Law on Protection and no administrative fines were required.