(Convenience translation of the independent auditor's review report and condensed interim consolidated financial statements originally issued in Turkish)

ÇİMSA ÇİMENTO SANAYİ ve TİCARET A.Ş. AND ITS SUBSIDARIES

JANUARY 1 – JUNE 30, 2019 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

Building a better working world

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

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Çimsa Çimento Sanayi ve Ticaret A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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

Cem Uçarlar, SMMM
Partner

5 August 2019
İstanbul, Türkiye

(Convenience translation of the independent auditor's review report and interim consolidated financial statements originally issued in Turkish)

ÇİMSA ÇİMENTO SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

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

	Note	(Reviewed) Current Period 30 June 2019	(Audited) Prior Period 31 December 2018
ASSETS			
Cash and cash equivalents	5	176.703.777	202.067.347
Trade receivables	6	492.809.028	435.316.646
Trade receivables from related parties	*26*	*1.270.682*	*18.497*
Trade receivables from third parties		*491.538.346*	*435.298.149*
Other receivables		2.986.650	1.593.821
Other receivables from related parties	26	*228.723*	248.597
Other receivables from third parties	8	*2.757.927*	*1.345.224*
Derivative financial instruments	18	15.176.719	22.511.102
Inventories	9	295.390.531	190.255.123
Prepaid expenses	10	12.603.933	9.539.353
Assets related to the current period taxes	24	717.662	2.526.430
Other current assets	16	101.265.765	76.159.066
Non-current assets held for sale		230.303	280.706
Current assets		**1.097.884.368**	**940.249.594**
Trade receivables	6	700.600	700.600
Trade receivables from third parties		*700.600*	*700.600*
Other receivables	8	3.997.777	3.682.965
Other receivables from third parties		3.997.777	3.682.965
Available for sale financial investments		64.478	64.478
Investments accounted under equity method	3	296.027.461	270.207.613
Derivative financial instruments	18	50.504.959	57.332.437
Property, plant and equipment		2.085.231.580	1.982.238.668
Right of use assets	2	47.122.515	-
Intangible assets		169.628.991	170.034.768
Goodwill	*12*	*151.824.511*	*151.824.511*
Other intangible assets		*17.804.480*	*18.210.257*
Prepaid expenses	10	1.065.345	912.971
Deferred tax assets	24	48.635.347	40.740.895
Other non-current assets	16	39.607.851	17.824.367
Non-current assets		**2.742.586.904**	**2.543.739.762**
TOTAL ASSETS		**3.840.471.272**	**3.483.989.356**

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

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

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

	Note	(Reviewed) Current Period 30 June 2019	(Audited) Prior Period 31 December 2018
LIABILITIES			
Short-term borrowings	7	901.011.502	788.523.502
Current portion of long-term borrowings	7	257.338.317	240.587.041
Trade payables	6	366.933.600	296.068.427
Trade payables to related parties	*26*	*92.402.356*	*58.574.646*
Trade payables to third parties		*274.531.244*	*237.493.781*
Employee benefit obligations	15	13.102.540	6.066.777
Other payables	8	12.090.401	13.266.905
Other payables to related parties	*26*	*736.936*	*1.572.923*
Other payables to third parties		*11.353.465*	*11.693.982*
Derivative financial liabilities	18	14.865.958	41.562.030
Deferred income	10	27.536.699	15.389.576
Current income tax liability	24	5.462.692	6.111.499
Short-term provisions		18.555.788	20.256.717
Short-term provisions for employee benefits	*13*	-	*3.428.000*
Other short-term provisions	*13*	*18.555.788*	*16.828.717*
Other current liabilities	16	20.978.635	8.575.707
Current liabilities		**1.637.876.132**	**1.436.408.181**
Long-term borrowings	7	581.086.987	451.361.209
Long-term provisions		45.591.948	38.102.734
Long-term provisions for employee benefits	*13,15*	*41.306.053*	*33.842.645*
Other long-term provisions	*13*	*4.285.895*	*4.260.089*
Derrivative financial liabilities	18	48.645.173	55.936.459
Deferred tax liability	24	45.015.168	50.701.393
Non-current liabilities		**720.339.276**	**596.101.795**
SHAREHOLDERS' EQUITY			
Share capital	17	135.084.442	135.084.442
Adjustments to share capital	17	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		(2.546.019)	(24.584.144)
Foreign currency translation reserve		*51.239.246*	*66.947.614*
Cash flow hedge fund		*(57.581.013)*	*(75.387.265)*
Increase / (decrease) funds of available-for-sale financial assets		*3.795.748*	*(16.144.493)*
Other comprehensive income/expense not to be reclassified to profit or loss		(7.332.883)	(5.777.277)
Actuarial losses / gains on defined benefit plans		*(7.332.883)*	*(5.777.277)*
Restricted reserves		193.104.976	*193.104.976*
Retained earnings		985.356.923	*830.431.391*
Net profit for the year		23.201.464	154.925.532
Equity attributable to equity holders of the parent		**1.369.709.834**	**1.326.025.851**
Non-controlling interests		112.546.030	125.453.529
Total shareholders' equity		**1.482.255.864**	**1.451.479.380**
TOTAL LIABILITIES AND EQUITY		**3.840.471.272**	**3.483.989.356**

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

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2019

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

	Note	(Reviewed) Current Period 1 January- 30 June 2019	(Reviewed) Prior Period 1 January- 30 June 2018	(Not Reviewed) Current Period 1 April- 30 June 2019	(Not Reviewed) Prior Period 1 April- 30 June 2018
OPERATING INCOME					
Sales	19	812.064.117	853.343.771	475.874.173	492.608.496
Cost of sales (-)	20	(662.336.403)	(620.476.203)	(393.356.270)	(353.930.329)
GROSS PROFIT		**149.727.714**	**232.867.568**	**82.517.903**	**138.678.167**
General and administrative expense (-)	20	(62.165.510)	(47.330.464)	(32.189.479)	(25.636.367)
Marketing, selling and distribution expense (-)	20	(8.350.570)	(6.748.193)	(4.986.494)	(3.730.321)
Research and development expense (-)	20	(2.467.640)	(1.864.816)	(1.486.332)	(1.006.672)
Other operating income	21	61.048.378	39.787.545	33.270.001	13.420.175
Other operating expenses (-)	21	(43.403.403)	(23.141.050)	(27.666.962)	(16.363.097)
OPERATING PROFIT		**94.388.969**	**193.570.590**	**49.458.637**	**105.361.885**
Income from investment activities	22	28.278.874	17.843.935	11.654.734	16.115.916
Expense from investment activities (-)	22	(184.086)	(1.377)	(179.703)	(1.377)
Profit/(loss) from investments accounted by equity method	3	19.264.052	19.964.228	9.585.224	14.874.155
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		**141.747.809**	**231.377.376**	**70.518.892**	**136.350.579**
Financial income	23	3.705.018	959.180	2.306.565	300.707
Financial expenses (-)	23	(151.223.634)	(84.841.321)	(85.428.027)	(32.680.535)
PROFIT BEFORE TAXATION		**(5.770.807)**	**147.495.235**	**(12.602.570)**	**103.970.751**
Tax income / (expense) from continuing operations		15.418.428	(25.128.532)	10.696.054	(16.268.473)
- Current period tax expense	24	(6.109.755)	(18.276.414)	(2.241.122)	(13.789.898)
- Deferred tax income / (expense)	24	21.528.183	(6.852.118)	12.937.176	(2.478.575)
NET PROFIT		**9.647.621**	**122.366.703**	**(1.906.516)**	**87.702.278**
Profit/loss for the period attributable to					
- Non-controlling interests		(13.553.843)	4.930.458	(6.915.806)	7.409.208
- Equity holders of the parent		23.201.464	117.436.245	5.009.290	80.293.070
Earnings per share					
Earnings per share from continuing operations (Nominal amount of 1 Kr)	25	0,1718	0,8694	0,0371	0,5944

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

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

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

	(Reviewed) Current Period 1 January- 30 June 2019	(Reviewed) Prior Period 1 January- 30 June 2018	(Not Reviewed) Current Period 1 April- 30 June 2019	(Not Reviewed) Prior Period 1 April- 30 June 2018
PROFIT FOR THE PERIOD	**9.647.621**	**122.366.703**	**(1.906.516)**	**87.702.278**
Other comprehensive income/expense to be reclassified to profit or loss	**22.724.357**	**(41.965.204)**	**28.815.742**	**(30.995.322)**
Foreign currency translation reserve	*(15.022.136)*	*17.559.248*	*8.543.079*	*164.152*
Available for sales financial assets revaluation reserve	*25.564.412*	*(22.059.445)*	*3.475.869*	*(1.215.491)*
Cash flow hedge reserve	*22.828.528*	*(52.346.120)*	*23.598.998*	*(37.733.852)*
Tax (income)/expense	*(10.646.447)*	*14.881.113*	*(6.802.204)*	*7.789.869*
Other comprehensive income/expense not to be reclassified to profit or loss	**(1.595.494)**	**(655.733)**	**(2.967.344)**	**(460.666)**
Actuarial gains/(losses) on defined benefit plans	*(1.994.367)*	*(819.666)*	*(3.709.180)*	*(575.832)*
Tax (income)/expense	*398.873*	*163.933*	*741.836*	*115.166*
OTHER COMPREHENSIVE INCOME (AFTER TAX)	**21.128.863**	**(42.620.937)**	**25.848.398**	**(31.455.988)**
TOTAL COMPREHENSIVE INCOME	**30.776.484**	**79.745.766**	**23.941.882**	**56.246.290**
Total comprehensive income attributable to				
-Non-controlling interests	(12.907.499)	5.505.498	(6.636.097)	7.725.883
-Equity holders of the parent	43.683.983	74.240.268	30.577.979	48.520.407

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

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

				Other comprehensive income/expenses to be reclassified to profit or loss			**Other comprehensive income/expenses 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**
1 January 2018	**135.084.442**	**41.741.516**	**1.099.415**	**29.853.540**	**(9.896.684)**	**12.381.134**	**(6.500.138)**	**187.026.176**	**675.700.470**	**228.351.942**	**1.294.841.813**	**127.507.998**	**1.422.349.811**
Transfer from retained earnings	-	-	-	-	-	-	-	6.078.800	222.273.142	(228.351.942)	-	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	117.436.245	**117.436.245**	4.930.458	**122.366.703**
Other comprehensive income/(expense)	-	-	-	16.993.773	(41.876.896)	(17.647.556)	(665.298)	-	-	-	**(43.195.977)**	575.040	**(42.620.937)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**16.993.773**	**(41.876.896)**	**(17.647.556)**	**(665.298)**	**-**	**-**	**117.436.245**	**74.240.268**	**5.505.498**	**79.745.766**
Dividends to be paid (*)	-	-	-	-	-	-	-	-	(67.542.221)	-	**(67.542.221)**	-	**(67.542.221)**
30 June 2018	**135.084.442**	**41.741.516**	**1.099.415**	**46.847.313**	**(51.773.580)**	**(5.266.422)**	**(7.165.436)**	**193.104.976**	**830.431.391**	**117.436.245**	**1.301.539.860**	**133.013.496**	**1.434.553.356**
1 January 2019	**135.084.442**	**41.741.516**	**1.099.415**	**66.947.614**	**(75.387.265)**	**(16.144.493)**	**(5.777.277)**	**193.104.976**	**830.431.391**	**154.925.532**	**1.326.025.851**	**125.453.529**	**1.451.479.380**
Transfer from retained earnings	-	-	-	-	-	-	-	-	154.925.532	(154.925.532)	-	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	23.201.464	**23.201.464**	(13.553.843)	**9.647.621**
Other comprehensive income/(expense)	-	-	-	(15.708.368)	17.806.252	19.940.241	(1.555.606)	-	-		**20.482.519**	646.344	**21.128.863**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(15.708.368)**	**17.806.252**	**19.940.241**	**(1.555.606)**	-	-	**23.201.464**	**43.683.983**	**(12.907.499)**	**30.776.484**
30 June 2019	**135.084.442**	**41.741.516**	**1.099.415**	**51.239.246**	**(57.581.013)**	**3.795.748**	**(7.332.883)**	**193.104.976**	**985.356.923**	**23.201.464**	**1.369.709.834**	**112.546.030**	**1.482.255.864**

(*) The decision to distribute dividend of TRY 67.542.221from 2017 year profit was unanimously approved by the Ordinary General Assembly held on 27 March 2018 and the amount of TRY 38.935.065 payment was completed on 29 March 2018 and the remaining amount was paid on 2 April 2018.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2019

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

	Note	(Reviewed) Current Period 1 January- 30 June 2019	(Reviewed) Prior Period 1 January- 30 June 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		**37.924.089**	**10.115.864**
Profit before taxation		(5.770.807)	147.495.235
Adjustments to reconcile net profit/loss for the period		**167.915.129**	**38.342.346**
Adjustment related to depreciation and amortization expense	11	70.442.408	49.530.765
Adjustment related to tax expense/(income)	24	(15.418.428)	25.128.532
Adjustment related to gain on sale of fixed assets	22	(26.809.104)	(10.129.862)
Adjustment related to undistributed retained profits of subsidiaries	3	(19.264.052)	(19.964.228)
Adjustment related to allowance for doubtful receivable	6	937.387	196.347
Adjustment related to inventory impairment	9	299.333	(116.818)
Adjustment related to provisions for litigations	13	1.727.071	399.520
Adjustment related to minefield	13	25.806	647.718
Adjustment related to seniority provisions	15	7.648.238	4.589.472
Adjustment related to seniority incentives	15	530.070	198.498
Adjustment related unpaid vacation liability	15	1.810.464	1.197.334
Adjustment related to interest expense	21/23	108.114.534	62.386.606
Adjustment related to interest income	21/23	(5.423.085)	(1.573.949)
Adjustment related to outstanding foreign currency translation differences		41.396.357	(71.591.439)
Adjustment related to fair value decrease/(increase) of derivative financial instruments		1.898.130	(2.556.150)
Changes in working capital		**(112.957.205)**	**(154.622.715)**
Short term trade receivables	6	(58.790.938)	(43.658.325)
Inventories	9	(105.434.740)	(70.310.591)
Other receivables/current assets/prepaid expenses		(27.755.340)	1.198.121
Long-term trade receivables	6	-	1.586.011
Other long-term trade receivables/non-current/prepaid expenses		(22.250.670)	(1.565.668)
Short-term trade payables	6	70.865.173	(40.322.586)
Other long term payables/liabilities		30.409.310	(1.549.677)
Cash flows from operations		**49.187.117**	**31.214.866**
Interest received	21	1.718.067	614.769
Payments related to seniority		(3.428.000)	(4.500.000)
Payments related to provisions for employee benefits	15	(2.145.606)	(2.571.642)
Seniority provision paid	15	(204.457)	-
Payments related to vacation	15	(444.470)	(234.966)
Tax payments		(6.758.562)	(14.407.163)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(99.564.694)**	**(89.893.478)**
Cash out flow related to purchases of tangible assets		(134.856.854)	(102.111.982)
Proceeds related to sales of tangible and intangible assets		35.334.399	14.598.137
Cash out flow related to purchases of intangible assets		(42.239)	(2.218.911)
Changes in cash advance of fixed assets		-	(160.722)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**72.908.555**	**(58.337.389)**
Proceeds from borrowings		680.282.540	876.246.225
Repayment of borrowings		(545.178.783)	(839.520.172)
Dividend paid		-	(67.542.221)
Interest paid		(65.900.220)	(29.095.170)
Interest income	23	3.705.018	1.573.949
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**11.267.950**	**(138.115.003)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**201.636.639**	**204.303.367**
Curreny translation differences (net)		(37.695.029)	11.385.042
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**175.209.560**	**77.573.406**

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

1. ORGANIZATION AND NATURE OF OPERATIONS

General

Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa" or the "Company") was founded with a declaration of the trade registry on 16 December 1972 which was announced at Turkish Trade Registry Gazette numbered 4729 and dated 21 December 1972. Operations of the Group consist of production and sales of cement, clinker and ready mix concrete. The ultimate shareholder of the Group is Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding").

The registered office address of the Group is Allianz Tower Küçükbakkalköy Mah. Kayışdağı Cad. No:1 Kat:23-24 34750 Ataşehir/İstanbul.

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

The upper limit of registered share capital of the Company is TRY 200.000.000 (31 December 2018- TRY 200.000.000)

As of 30 June 2019 and 31 December 2018, the information related to the Company's subsidiaries and joint venture is as follows:

Company	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				30 June 2019	31 December 2018
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12 Oct 2005	NCTR	Cement sales and marketing	99,99%	99,99%
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	8 Feb 2006	Romania	Cement sales and marketing	99,99%	99,99%
Çimsa Cement Sales North GmbH (CSN)(*)	27June 2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana,S.A.U.) (*)	7 July 2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi (*)	12 Dec 2007	Mersin	Export	100%	100%
Regent Place Limited (Regent) (*)	21 May 2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) (*)	16 July 2008	Russia	White cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl (*)	9 Feb 2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31 May 2012	Turkey	Cement production and sales	51%	51%
Çimsa Americas Cement Manufactıring and Sales Corporation (Cimsa Americas) (*)	7 July 2017	USA	Cement production and sales	100%	100%

(*) Full consolidation method has been applied.

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 interim consolidated financial statements, Çimsa, its subsidiaries, its joint venture and its associate will be together referred as ("the Group").

The interim consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 5 August 2019. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The average number of Group's employee for 2019 by categories is as follows:
652 blue collar (a union member) (2018:660), 500 white collar (not a union member) (2018:470) and 41 (2018:42) employees working for subsidiaries located abroad.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial statements preparation principles

The accompanying interim 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 ("TRY").

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

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. 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 IFRS 9 "Financial Instruments: Accounting and Measurement" ("IFRS 9"), the accounting of IFRS 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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Going concern

The Group prepared condensed interim consolidated financial statements in accordance with the going concern assumption.

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 Comparative information and classification of prior period financial statements

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 30 June 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.

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, 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 that are created by the way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method.

The provision for doubtful receivables is reflected in the records as an expense.If there is a concrete indication that the outstanding receivables can not be collected, provision for doubtful receivables is set for the company. The Company has preferred to apply "simplified approach" defined in IFRS 9 for the expected credit losses. This method requires the recognition of expected life-time losses for all trade receivables.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (continued)

Basis of consolidation (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 ne 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (continued)

Basis of consolidation (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.

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.

Cırgalan ready-mix concrete facility is purchased with the amount of TRY 4.640.259, the valuation of goodwill amounting to TRY 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. In subsequent periods of the initial recognition, an impairment test will be performed for the cash-generating units for the respective groups.

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 profit or loss as incurred.

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with 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.

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 IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that is not considered measurement period correction depends on the classification type of the contingent consideration. The contingent consideration, which is classified as equity may not be remeasured and related subsequent payment is accounted for under equity. If the contingent consideration that is classified as an asset or liability is in the nature of a financial instrument, and conforms to IFRS 9 Financial Instruments: Accounting and Measurement standard, such contingent consideration is measured at its fair value and gain or loss arising from the change is recognized as profit or loss. Those that do not conform to IFRS 9 standard are accounted for according to 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.

(Amounts expressed in Turkish Lira ("TRY"), 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	30 June 2019	31 December 2018
USA Dollar ("USD")/TRY	5,7551	5,2609
Euro ("EUR")/TRY	6,5507	6,0280
Ruble ("RUB")/TRY	0,0908	0,0753
Ron ("RON")/TRY	1,3760	1,2866
Sterlin ("GBP")/TRY	7,2855	6,6528

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

Date	2019	2018
USD/TRY	5,6163	4,5607
EUR/TRY	6,3420	5,3092
RUB/TRY	0,0856	0,0723
RON/TRY	1,3300	1,1329
GBP/TRY	7,1980	5.9810

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 capitaliz ation 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.

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.

As indicated in Note 16 in detail, in the accompanying financial statements, the Group has reflected a liability using the "Projected Unit Credit Method" based on the actuarial valuation performed by independent actuaries. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate estimate of qualified actuaries.

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

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.

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.

Leasings

Leasing acitivites - 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.

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

Group recognises revenue based on the following five principles in accordance with the IFRS 15 - "Revenue from Contracts with Customers" standard effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

According to this model, the goods or services undertaken in each contract made primarily with the customers are evaluated and each commitment given to transfer the goods or services is determined as a separate act of obligation. Afterwards, it is determined that the fulfillment obligations will be fulfilled in time or in a certain way. Whether the control of a good or service is over time and the community fulfills its performance obligations in relation to the sale in time, the community measures the progress of the revenue and accounts in their 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 estab-lished (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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of significant accounting policies (continued)

Trade and settlement date accounting

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 faced 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 28.

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 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.

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 quated 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 finan-cial 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.

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 exhange 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.

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.

In the statement of financial position for the year ended 31 December 2018, the Group has reclassified the old land held for sale amounting to TRY 230.303 which is accounted under property, plant and equipment to non-current assets classified as held for sale.

In the statement of financial position for the year ended 31 December 2018, the Group has reclassified its credit card receivables amounting to TRY 15.359.786 in cash and cash equivalents to trade receivables.

2.8 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at June 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 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.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new standards, amendments and interpretations (continued)

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 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 TFRS 16:
The Group applied TFRS 16 "Leases" as of 1 January 2019, which replaces TAS 17 "Leases". The Group has not restated comparable amounts for the previous year using the simplified transition application. With this method, all right of use assets are measured at the amount of the lease payables during the transition to application (adjusted for prepaid or accrued rental costs).

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

The right to use and liability of the leases previously classified as finance leases is measured from the carrying value of the assets before the transition.

	1 January 2019
Operational lease commitments	
- Short-term leases	-
- Low value leases	-
- Contracts evaluated under TFRS 16	109.534.199
Total lease obligation	109.534.199
Discounted lease obligation with alternative borrowing rate (TRY Equivalent)	**52.802.238**
- Short term lease obligation	3.842.444
- Long term lease obligation	48.959.794

The details of the righf of use asset on the basis of asset are as follows:

The Right of Use Assets	**1 January 2019**	**Depreciation Expense**	**30 June 2019**
Properties	43.160.749	2.925.804	40.234.945
Vehicles	7.008.935	2.860.562	4.148.373
Others	2.986.898	247.701	2.739.197
	53.156.582	**6.034.067**	**47.122.515**

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 following are the new accounting policies of the Group on the application of TFRS 16:

The Group as a leasee

The Group evaluate a contract whether the contract is a lease or whether it is a lease. In the case that the contract assigns the right to control the use of the identified asset for a period of time for a certain amount of time, this contract is a lease or includes a lease. The Group considers the following conditions when assessing whether a contract transfers the right to control the use of a defined asset for a specified period:

a) The contract contains the defined asset; an asset is generally defined by specifying it explicitly or implicitly in the contract.
b) A functional part of the entity is physically separate or represents almost all of the entity's capacity. An asset is not identified if the supplier has a principal right to replace the asset and provides economic benefit therefrom.
c) Having the right to obtain almost all of the economic benefits to be obtained from the use of the defined asset
d) Have the right to manage the use of the identified asset. The Group considers that the asset has the right to use if the decisions about how and for what purpose the asset is used are determined in advance. The Group has the right to manage the use of the asset when:
   i. The Group has the right to operate the asset during its useful life (or to direct others to operate the asset in its designated manner) and the supplier does not have the right to change these operating instructions or
   ii. The Group has designed the asset (or certain characteristics of the asset) in advance to determine how and for what purpose the asset will be used during its useful life.

The Group recognizes a right of use and a lease obligation on the financial statements at the date of the lease.

The right to use assets

The right of use assets is initially accounted for at cost and includes:
a) Initial measurement of lease obligation
b) includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
c) all initial direct costs incurred by the group and

When applying the group cost method, the right of use asset;

a) measured at cost, less any accumulated depreciation and impairment losses, and
b) adjusted for any remeasurement of lease liabilities.

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 applies the depreciation provisions of TAS 16 Property, Plant and Equipment when depreciating the right of use assets. If the supplier transfers ownership of the underlying asset to the Group at the end of the lease term, or if the cost of use rights shows that the Group will use a purchase option, the Group depreciates the right of use asset from the effective date of the lease to the end of the useful life. In other cases, the Group depreciates the right of use on the basis of the shorter of the useful life or the lease term, starting from the effective date of the lease.

The Group applies TAS 36 Impairment of Assets to determine whether an asset is impaired and to recognize any impairment loss.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted using the imputed interest rate on the lease, if the rate can be easily determined. If this rate cannot be determined easily, the Company uses the Group's alternative borrowing interest rate.

Lease payments included in the measurement of the lease labilities will be made for the right of use of the underlying asset during the lease and the following unpaid payments on the date that the lease actually commences:

a) the lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable
b) variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees
c) the lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and
d) payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the effective date of the lease, the Group measures the lease liabilities as follows:

a) Increases the book value to reflect the interest in the lease liabilities,
b) Decreases book value to reflect rental payments made and
c) Measures the book value to reflect reassessments and restructurings, or to reflect 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 liabilitites. The periodic interest rate, if easily determined, is the implicit interest rate on the lease. If this rate cannot be determined easily, the Group uses the Group's alternative borrowing interest rate. After the effective date of the lease, the Group re-measures the lease liabilities to reflect changes in lease payments. The Company reflects the remeasurement amount of the lease liabilities to the financial statements as an adjustment to the right of use.

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 its lease liabilities by reducing the revised lease payments at a revised discount rate if either of the following conditions occurs:

a) Having a change in leasing time. The Group determines the revised lease payments based on the revised lease term.
b) Changes in the assessment of the option to purchase the underlying asset. The Company determines revised lease payments to reflect the change in the amounts payable under the purchase option.

The Group calculates the revised discount rate for the remainder of the lease term if the implicit interest rate in the lease can be easily determined; if it is not easily determined, the Group determines the alternative borrowing interest rate at the date of the revaluation.

The Group re-measures its rent obligation by reducing the revised lease payments if either of the following conditions occurs:

a) A change in the 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 under the residual value commitment.
b) A change in these payments as a result of an index or rate change used to determine future lease payments. The Group remeasures the lease obligation to reflect these revised lease payments only when there is a change in cash flows.

The Group determines the revised lease payments regarding the remaining lease term based on the revised contractual payments. In this case, the Group uses an unaltered discount rate.

The Group recognizes the restructuring of the lease as a separate lease if both of the following conditions are met:

a) Restructuring will extend the scope of the lease by adding the right to use one or more underlying assets and
b) The increase in the lease value is equal to the price of the increase in coverage alone and the appropriate adjustments to the price alone to reflect the terms of the contract.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group- as a leaser

All of the Group's lessor leases are operational leases. In operational leases, leased assets are classified in the consolidated balance sheet under investment property, tangible fixed assets or other current assets and the rent income obtained is reflected to the consolidated income statement in equal amounts during the leasing period. Lease income is recognized on a straight-line basis over the period of the lease.

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)

For a contract that includes one or more additional leasing components with a leasing component, the Group distributes the price in the contract, applying TFRS 15, has Revenue from contracts with customers".

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.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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.

The amendments are effective from 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.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

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.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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. The Standart will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to TFRS 3)

In October 2019 IASB, 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

In October 2018 IASB, 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.

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 15).

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. When evaluating the impairment of receivables, past performances of borrowers other than related parties and key customers are taken into consideration in the market credibility and performance of the balance sheet date until the approval date of the financial statements. The Company has preferred to apply "simplified approach" defined in IFRS 9 for the expected credit losses. This method requires the recognition of expected life-time 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).

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 13).

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 provision of recultivation (Note 13).

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

As of June, 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.

(Amounts expressed in Turkish Lira ("TRY"), 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 30 June 2019 and 31 December 2018 and revenue, expense and net profit for the periods ending 30 June 2019 and 31 December 2018 are as follows:

				30 June 2019		**31 December 2018**
Investments	Country	Main operating activity	Effective ownership (%)	Carrying net book value	Effective ownership (%)	Carrying net book value
Exsa	Turkey	Investment property and financial instruments	32,9	296.027.461	32,9	270.207.613
				296.027.461		**270.207.613**

	30 June 2019	**31 December 2018**
Assets	1.025.567.760	824.711.204
Liabilities	(125.104.000)	(2.786.907)
Net Assets	900.463.760	821.924.297
Group's share	**296.027.461**	**270.207.613**

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

3. INTERESTS IN OTHER ENTITIES (continued)

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Revenue	121.807.605	82.189.098	79.120.066	57.550.650
Expenses	(63.209.727)	(53.032.523)	(18.392.376)	(12.306.071)
Net profit for the year	58.597.878	29.156.575	60.727.690	45.244.579
Group's share in net profit	**19.264.052**	**9.585.224**	**19.964.228**	**14.874.155**

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

	30 June 2019			
Subsidiary	**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	(14.504.689)	104.712.059	-

	31 December 2018			
Subsidiary	**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 subsidiary Afyon Çimento T.A.Ş. after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

	30 June 2019	31 December 2018
Cash and cash equivalents	907.232	18.748.861
Other current assets	78.404.832	67.757.038
Non-current assets	579.565.706	571.056.758
Total assets	**658.877.770**	**657.562.657**
Short term borrowings	222.124.191	285.958.264
Other current liabilities	48.068.720	20.221.109
Long term borrowings	188.995.570	117.901.128
Other non-current liabilities	12.699.560	(10.666.751)
Total liabilities	**471.888.041**	**413.413.750**
Total equity	**186.989.729**	**244.148.907**

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

3. INTERESTS IN OTHER ENTITIES (continued)

Condensed income statement information:

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Revenue	67.112.693	40.394.516	97.854.649	52.460.812
Gross profit	(8.590.549)	(3.965.810)	24.000.353	13.370.465
Operating profit/(loss)	(13.901.252)	(7.005.791)	21.501.533	12.110.707
Net financial income/(expense)	(37.025.547)	(17.812.588)	(30.537.898)	(16.671.810)
Profit/(loss) before tax	(42.086.517)	(21.472.380)	5.844.071	10.319.333
Net profit for the period	**(29.545.917)**	**(15.084.498)**	**4.967.964**	**9.561.631**

Condensed cash flow information:

	1 January- 30 June 2019	1 January- 30 June 2018
Cash flows from operating activities	1.756.694	39.952.347
Cash flows from investing activities	9.084.867	15.458.113
Cash flows from financing activitites (excluding dividend)	(28.683.186)	(116.378.922)
Net increase/(decrease) in cash and cash equivalents	**(17.841.625)**	**(60.968.462)**

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 "Operating Segments" ("IFRS 8"). The transfer prices between segments are prepared on the same basis with third parties. For the interim periods ended 30 June 2019 and 30 June 2018, the information about the Group's segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete and assets and liabilities as of 30 June 2019 and 31 December 2018.

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

4. SEGMENT REPORTING (continued)

1 January - 30 June 2019	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	877.849.836	80.390.894	-	(146.176.613)	812.064.117
Cost of sales (-)	(722.356.786)	(86.156.230)	-	146.176.613	(662.336.403)
Gross profit/(loss)	155.493.050	(5.765.336)	-	-	149.727.714
General administrative,marketing selling distribution expenses (-)	(58.453.859)	-	(12.062.221)	-	(70.516.080)
Other operating income/expenses (-), net	13.804.293	-	3.840.682	-	17.644.975
Research and development expenses (-)	(2.467.640)	-		-	(2.467.640)
Operating profit/(loss)	108.375.844	(5.765.336)	(8.221.539)		94.388.969
Income from investment activities	28.278.874	-	-	-	28.278.874
Expense from investment activities (-)	(184.086)	-	-	-	(184.086)
Profit/loss from invetments accounted by equity method	-	-	19.264.052	-	19.264.052
Operating profit/(loss) before financial income/expense	136.470.632	(5.765.336)	11.042.513	-	141.747.809
Financial income/(expenses), net	(147.518.616)	-	-	-	(147.518.616)
Profit/(loss) before tax from continuing operations	(11.047.984)	(5.765.336)	11.042.513	-	(5.770.807)
Tax (expense)/income from continuing operations	15.418.428	-		-	15.418.428
Current period tax expense (-)	(6.109.755)	-	-	-	(6.109.755)
Deferred tax income/expense	21.528.183	-	-	-	21.528.183
Profit/(loss) for the period from continuing operations	4.370.444	(5.765.336)	11.042.513	-	9.647.621

1 January - 30 June 2018	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	722.095.560	175.464.146	-	(44.215.935)	853.343.771
Cost of sales (-)	(487.707.115)	(176.985.023)	-	44.215.935	(620.476.203)
Gross profit/(loss)	234.388.445	(1.520.877)	-	-	232.867.568
General administrative,marketing selling distribution expenses (-)	(39.975.566)	-	(14.103.091)	-	(54.078.657)
Other operating income/expenses (-), net	15.656.356	(221.532)	1.211.671	-	16.646.495
Research and development expenses (-)	(1.864.816)	-	-	-	(1.864.816)
Operating profit/(loss)	208.204.419	(1.742.409)	(12.891.420)	-	193.570.590
Income from investment activities	-	-	17.843.935	-	17.843.935
Expense from investment activities (-)	-	-	(1.377)	-	(1.377)
Profit/loss from invetments accounted by equity method	-	-	19.964.228	-	19.964.228
Operating profit/(loss) before financial income/expense	208.204.419	(1.742.409)	24.915.366	-	231.377.376
Financial income/(expenses), net	-	-	(83.882.141)	-	(83.882.141)
Profit/(loss) before tax from continuing operations	208.204.419	(1.742.409)	(58.966.775)	-	147.495.235
Tax (expense)/income from continuing operations	-	-	(25.128.532)	-	(25.128.532)
Current period tax expense (-)	-	-	(18.276.414)	-	(18.276.414)
Deferred tax income/expense	-	-	(6.852.118)	-	(6.852.118)
Profit/(loss) for the period from continuing operations	208.204.419	(1.742.409)	(84.095.307)	-	122.366.703

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

4. SEGMENT REPORTING (continued)

1 April - 30 June 2019	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	553.347.072	47.647.697	-	(125.120.596)	475.874.173
Cost of sales (-)	(472.734.651)	(45.742.215)	-	125.120.596	(393.356.270)
Gross profit/(loss)	80.612.421	1.905.482	-	-	82.517.903
General administrative,marketing selling distribution expenses (-)	(36.469.861)	-	(706.112)	-	(37.175.973)
Other operating income/expenses (-), net	6.435.100	(206.769)	(625.292)	-	5.603.039
Research and development expenses (-)	(1.486.332)	-	-	-	(1.486.332)
Operating profit/(loss)	49.091.328	1.698.713	(1.331.404)	-	49.458.637
Income from investment activities	11.654.734	-	-	-	11.654.734
Expense from investment activities (-)	(179.703)	-	-	-	(179.703)
Profit/loss from invetments accounted by equity method	-	-	9.585.224	-	9.585.224
Operating profit/(loss) before financial income/expense	60.566.359	1.698.713	8.253.820	-	70.518.892
Financial income/(expenses), net	(83.121.462)	-	-	-	(83.121.462)
Profit/(loss) before tax from continuing operations	(22.555.103)	1.698.713	8.253.820	-	(12.602.570)
Tax (expense)/income from continuing operations	10.696.054	-	-	-	10.696.054
Current period tax expense (-)	(2.241.122)	-	-	-	(2.241.122)
Deferred tax income/expense	12.937.176	-	-	-	12.937.176
Profit/(loss) for the period from continuing operations	(11.859.049)	1.698.713	8.253.820	-	(1.906.516)

1 April - 30 June 2018	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	418.236.700	99.449.555	-	(25.077.759)	492.608.496
Cost of sales (-)	(278.360.032)	(100.648.056)	-	25.077.759	(353.930.329)
Gross profit/(loss)	139.876.668	(1.198.501)	-	-	138.678.167
General administrative,marketing selling distribution expenses (-)	(21.708.194)	-	(7.658.494)	-	(29.366.688)
Other operating income/expenses (-), net	15.656.355	(59.297)	(18.539.980)	-	(2.942.922)
Research and development expenses (-)	(1.864.816)	-	858.144	-	(1.006.672)
Operating profit/(loss)	131.960.013	(1.257.798)	(25.340.330)	-	105.361.885
Income from investment activities	-	-	16.115.916	-	16.115.916
Expense from investment activities (-)	-	-	(1.377)	-	(1.377)
Profit/loss from invetments accounted by equity method	-	-	14.874.155	-	14.874.155
Operating profit/(loss) before financial income/expense	131.960.013	(1.257.798)	5.648.364	-	136.350.579
Financial income/(expenses), net	-	-	(32.379.828)	-	(32.379.828)
Profit/(loss) before tax from continuing operations	131.960.013	(1.257.798)	(26.731.464)	-	103.970.751
Tax (expense)/income from continuing operations	-	-	(16.268.473)	-	(16.268.473)
Current period tax expense (-)	-	-	(13.789.898)	-	(13.789.898)
Deferred tax income/expense	-	-	(2.478.575)	-	(2.478.575)
Profit/(loss) for the period from continuing operations	131.960.013	(1.257.798)	(42.999.937)	-	87.702.278

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

4. SEGMENT REPORTING (continued)

30 June 2019	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	1.946.903.825	1.453.191.863	-	-	3.400.095.688
Available for sale financial investments	-	-	64.478	-	64.478
Investments accounted by equity method	-	-	296.027.461	-	296.027.461
Undistributed assets	-	-	143.811.279	-	143.811.279
Total assets	**1.946.903.825**	**1.453.191.863**	**439.903.218**	**-**	**3.839.998.906**
Segment liabilities	2.288.376.614	71.295.923	-	-	2.359.672.537
Undistributed liabilities	-	-	1.480.326.369	-	1.480.326.369
Total liabilites	**2.288.376.614**	**71.295.923**	**1.480.326.369**	**-**	**3.839.998.906**

31 December 2018	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities		-	-	-	
Segment liabilities	1.675.621.108	1.431.137.895	-	-	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
Total assets	**1.675.621.108**	**1.431.137.895**	**377.230.353**	**-**	**3.483.989.356**
Segment liabilities	1.961.783.786	84.261.563	-	-	2.046.045.349
Undistributed liabilities	-	-	1.437.944.007	-	1.437.944.007
Total liabilites	**1.961.783.786**	**84.261.563**	**1.437.944.007**	**-**	**3.483.989.356**

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

5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	**31 December 2018**
Cash	15.381	986.115
Cash and banks	170.494.602	190.650.314
Demand deposits	*82.972.172*	*67.659.344*
Time deposits with maturity of less than 3 months	*87.522.430*	*122.990.970*
Checks in collection (*)	6.193.794	10.430.918
	176.703.777	**202.067.347**
Blocked deposites (-)	(1.494.217)	(430.708)
Cash and cash equivalents in consolidated cash flow statement	**175.209.560**	**201.636.639**

(*) As of 30 June 2019 checks in collection consist of overdue and outstanding checks.

The detail of demand deposits is stated below:

	30 June 2019	**31 December 2018**
Turkish Lira	48.875.850	94.529.770
US Dollar	73.338.384	52.688.506
Euro	47.250.960	39.860.033
British Pound	302.130	2.116.863
Other	727.278	1.455.142
	170.494.602	**190.650.314**

Time deposits as of 30 June 2019 is denominated in TRY with the maturity of less than three months and effective weighted average interest rate on time deposits is 25,85%, and 1% for US Dollar. (31 December 2018: 22,33%). As of 30 June 2019, the blocked deposit amount is TRY 1.494.217. (As of 31 December 2018, the amount of blocked deposits is TRY 430.708.)

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

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

Short-term trade receivables	30 June 2019	31 December 2018
Trade receivables	448.683.241	347.614.616
Notes receivable	62.851.966	106.381.838
Due from related parties (Note 26)	1.270.682	18.497
Allowance for doubtful receivables (-)	(19.996.861)	(18.698.305)
	492.809.028	**435.316.646**

Trade receivables' collection terms vary based on the type of the product and agreements made with the customers and the average term is 93 days (31 December 2018- 96 days). Effective interest rates used when determining the amortized cost are 15,62% for TRY, 4,74% for USD and 2,16% for EUR (31 December 2018 - TRY: TRY:19,03%, USD: 4,79%, EUR: 2,47%).

The movement of the provision for doubtful receivables for the periods ended 30 June 2019 and 31 December 2018 is as follows:

Allowance for doubtful receivables (-)	1 January- 30 June 2019	1 January- 30 June 2018
Opening balance	18.698.305	10.764.929
Provisions during the period (Note 21)	937.387	201.128
Reversal of the provision (-) (Note 21)	-	(4.781)
Currency translation difference	361.169	434.509
Closing balance	**19.996.861**	**11.395.785**

The balance of the long-term trade receivables for the periods ended 30 June 2019 and 31 December 2018 is as follows:

Long-term trade receivables	30 June 2019	31 December 2018
Long-term trade receivables	700.600	700.600
	700.600	**700.600**

b. Trade Payables

Short-term trade payables	30 June 2019	31 December 2018
Trade payables	274.531.244	237.493.781
Trade payables to related parties (Note 26)	92.402.356	58.574.646
	366.933.600	**296.068.427**

The average payment period of trade payables is 84 days (31 December 2018: 74 days). Effective interest rates used when determining the amortized cost are 15,62% for TRY, 4,74% for USD and 2,16% for EUR (31 December 2018 - TRY: 19,03%, USD: 4,79%, EUR 2,47%).

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

7. FINANCIAL BORROWINGS

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

Borrowings	30 June 2019	31 December 2018
Short-term borrowings	869.281.666	788.523.502
Current portion of long-term borrowings	257.338.317	240.587.041
Short-term financial liabilities	4.218.701	-
Short-term issued bonds	27.511.135	-
	1.158.349.819	**1.029.110.543**
Long-term borrowings	410.422.864	451.361.209
Long-term financial liabilities	49.008.162	-
Long-term issued bonds	121.655.961	-
	581.086.987	**451.361.209**
Total borrowings	**1.739.436.806**	**1.480.471.752**

The details of the borrowings as of 30 June 2019 are as follows:

Secured/ Unsecured	Interest Type	Currency Type	Weighted Average Interest Rate (%)	Original Balance	Short Term	Long Term	30 June 2019
Secured	Floating (*)	EUR	2,76%	61.185.284	256.018.332	144.788.107	400.806.439
Unsecured	Fixed	EUR	2,32%	18.168.396	42.376.524	76.639.189	119.015.713
Secured	Fixed	USD	4,50%	15.149.241	87.185.396	-	87.185.396
Unsecured	Fixed	USD	3,41%	45.661.081	262.784.086	-	262.784.086
Unsecured	Fixed	TRY	17,11%	535.616.371	346.620.801	188.995.570	535.616.371
Secured	Fixed	TRY	19,26%	280.801.938	159.145.979	121.655.959	280.801.938
					1.154.131.118	**532.078.825**	**1.686.209.943**

(*) Çimsa has made interest rate swap transaction in order to its cash flow risk for the long term loan of 35.588.236 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	EUR	3,65%	19.451.747	102.333.694	-	102.333.694
Unsecured	Fixed	TRY	16,56%	506.496.489	388.595.361	117.901.128	506.496.489
Secured	Fixed	TRY	15,35%	248.805.866	157.189.388	91.616.483	248.805.871
					1.029.110.543	**451.361.209**	**1.480.471.752**

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

7. FINANCIAL BORROWINGS (continued)

The repayment schedule of the borrowings as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
To be paid within 1 year	1.154.131.118	1.029.110.543
To be paid between 1-2 years	430.048.107	263.350.657
To be paid between 2-3 years	102.030.718	98.817.384
To be paid between 3-4 years	-	89.193.168
To be paid between 4-5 years	-	-
More than 5 years	-	-
	1.686.209.943	**1.480.471.752**

The Company issued bonds with a nominal value of TRY 150,000,000 and a 728 day maturity, floating interest rate and 3 month maturity, indexed to the Turkish Lira Reference Interest Sales Rate. The value date of the issue is 21 March 2019 and the redemption date is 18 March 2021. The second coupon payment interest of the bond to be made on 19 September 2019 was determined as 6,7926 %.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

Short-term other receivables from third parties	30 June 2019	31 December 2018
Other miscellaneous receivables	1.854.561	897.747
Due from personnel	764.320	600.597
Receivables from insurance claims	892.692	600.526
Provision for doubtful other receivables (-)	(753.646)	(753.646)
	2.757.927	**1.345.224**

Short-term other receivables	30 June 2019	31 December 2018
Short-term other receivables from related parties (Note 26)	228.723	248.597
	228.723	**248.597**

Long-term other receivables	30 June 2019	31 December 2018
Deposits and guarantees given	3.997.777	3.682.965
	3.997.777	**3.682.965**

a. Other Payables

Short-term other payables	30 June 2019	31 December 2018
Deposits and guarantees received	8.660.584	8.690.040
Taxes and funds payable	2.692.881	3.003.942
Other payables to related parties (Note 26)	736.936	1.572.923
	12.090.401	**13.266.905**

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

9. INVENTORIES

Inventories	30 June 2019	31 December 2018
Raw Materials	121.815.144	76.777.716
Work-in progress	83.580.102	68.653.471
Finished goods	54.172.852	38.740.746
Other inventories	40.173.223	10.125.863
Inventory impairement provision (-)	(4.350.790)	(4.042.673)
	295.390.531	**190.255.123**

Inventory impairement provision movement

Inventory impairment provision movement	30 June 2019	30 June 2018
Opening balance	4.046.811	3.874.368
Provisions during the period (Note 20)	299.333	-
Reversal of the provision (-) (Note 20)	-	(116.818)
Currency translation differences	4.646	-
Closing balance	**4.350.790**	**3.757.550**

The Group allocates an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been recognized under cost of sales.

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

Short-term provision expenses	30 June 2019	31 December 2018
Prepaid expenses	9.815.911	4.525.614
Advances given to suppliers	2.788.022	5.013.739
	12.603.933	**9.539.353**

Long-term provision expenses	30 June 2019	31 December 2018
Advances given for the purchase of fixed assets	1.004.306	844.373
Prepaid expenses	61.039	68.598
	1.065.345	**912.971**

b. Deferred Income

Short-term deferred income	30 June 2019	31 December 2018
Advanced received	24.172.317	12.804.558
Prepaid expenses	3.364.382	2.585.018
	27.536.699	**15.389.576**

11. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased for the period ending as of 30 June 2019 is TRY 134.899.093 (30 June 2018: TRY 108.761.779).

The net book value of tangible and intangible assets sold for the period ending as of 30 June 2019 is TRY 8.525.295 (30 June 2018: TRY 4.468.278).

For the period ending as of 30 June 2019 cost of goods sold contain depreciation and amortisation expenses of TRY 63.040.650 (30 June 2018: TRY 48.319.849), general and administrative expenses contain depreciation and amortisation expenses of TRY 1.194.992 (30 June 2018: TRY 1.054.106) and sales and distribution expenses contain depreciation and amortisation expenses of TRY 121.784 (30 June 2018: TRY 115.603) and research and development expenses contain depreciation and amortisation expenses of TRY 50.915 (30 June 2018: TRY 41.207)
As of 30 June 2019, the Group has pledges or/and mortgages on its assets amounting to TRY 11.875.109 (31 December 2018: TRY 28.288.198).

For the period ended 30 June 2019, depreciation expense amounting to TRY 3.611.699 has been included in cost of goods sold and TRY 2.422.368 has been included in general administrative expenses.

As of 30 June 2019, the Group net capitalized financing expenses on construction in progress are TRY 5.058.493 (30 June 2018: TRY 10.000.775).

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

12. GOODWILL

The goodwill amount presented in the Group's financial statements as of 30 June 2019 is related to Eskişehir and Ankara Cement Factories ("Standart Çimento") acquired in 2005, Çimsa Cement located in TRNC, Bilecik Ready Mix Cement Facilities acquired in 2008, Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012 and Cırgalan Ready-Mixed Concrete Facility acquired in 2018. The movement of goodwill for the periods ending 30 June 2019 and 31 December 2018 is stated below.

30 June 2019	Opening	Effect of the acquired subsidiary	Currency Translation Differences	Total
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 Ready-Mixed Concrete Facility	3.705.259	-	-	3.705.259
	151.824.511	**-**	**-**	**151.824.511**

30 June 2018	Opening	Effect of the acquired subsidiary	Currency Translation Differences	Total
Eskişehir	132.140.806	-	-	132.140.806
Afyon Çimento Sanayi T.A.Ş.	11.358.393	-	-	11.358.393
Bilecik Hazır Beton	4.293.971	-	-	4.293.971
Çimsa Cement Free Zone Ltd.	326.082	-	-	326.082
	148.119.252	**-**	**-**	**148.119.252**

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates annually or more frequently if events or changes in circumstances indicate that the carrying value may be impair. Recoverable amount of the cash-generating unit is determined less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. Recoverable amount is calculated between the dates of 1 January 2019 and 31 December 2023 through 5 years business plan which is approved by the management. The main assumptions used in the discounted cash flow considers 20% the weighted average cost of capital (WACC) and sales price and cost price increases in line with macroeconomic estimations. As a result of assessment, the recoverable amount of goodwill exceeded its carrying amount and therefore no impairment has been identified as of December 31, 2018.

Cırgalan ready-mix concrete facility is purchased with the amount of TRY 4.640.259, the valuation of goodwill amounting to TRY 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. In subsequent periods of the initial recognition, an impairment test will be performed for the cash-generating units for the respective groups.

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

13. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

As of 30 June 2019, there is no bonus and premium provisions. (31 December 2018: TRY 3.428.000)

Short-term provisions	30 June 2019	31 December 2018
Provision for litigations	18.555.788	16.828.717
Short-term provisions for employee benefits	-	3.428.000
	18.555.788	**20.256.717**

The movement of "Provision for the litigations" as of 30 June 2019 and 30 June 2018 is stated below:

Provision for the litigation movement	30 June 2019	30 June 2018
Opening balance	16.828.717	14.930.295
Additional provision (Note 21)	1.730.966	891.748
Provision paid during the period (-)(Note 21)	(3.895)	(492.228)
Closing balance	**18.555.788**	**15.329.815**

As of June 30, 2019, the Group has provided provision amounting to TRY 18.555.788 for the risky cases against the Company with the opinion obtained from the Company's legal counsels. (June 30, 2018: TRY 16.828.717)

b. Long-Term Provisions

Long-term provisions	30 June 2019	31 December 2018
Long-term employee benefits	41.306.053	33.842.645
Other long term provisions	4.285.895	4.260.089
	45.591.948	**38.102.734**

Other long term provisions	30 June 2019	31 December 2018
Recultivation provision	4.285.895	4.260.089
	4.285.895	**4.260.089**

The operations of the Group such as mining, cement productions 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 TRY 4.285.895 under "Other Long-Term Provisions" as of 30 June 2019 (31 December 2018: TRY 4.260.089).

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

13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

The movement of "the recultivation provision" as of 30 June 2019 and 30 June 2018 is as follows:

Recultivation provision movement	30 June 2019	30 June 2018
Opening balance	4.260.089	4.612.793
Additional provision (Note 21)	547.910	647.718
Provision no longer required (-) (Note 21)	(522.104)	-
Closing balance	**4.285.895**	**5.260.511**

14. COMMITMENTS

The collaterals, pledges and mortgages (CPM) received by the Group as of 30 June 2019 and 31 December 2018 are as follows:

		30 June 2019		31 December 2018	
	Original Currency	**Original Amount**	**TRY Balance**	**Original Amount**	**TRY Balance**
Guarantee letter received	TRY	366.058.604	366.058.604	408.959.306	408.959.306
Guarantee letter received	USD	20.926.871	120.436.237	23.711.521	124.743.942
Guarantee letter received	Euro	11.154.168	73.067.610	11.399.414	68.715.670
Guarantee letter received	Other	26.000	26.000	26.000	26.000
Mortgages received	TRY	33.742.923	33.742.923	34.306.423	34.306.423
Mortgages received	Euro	592.906	3.883.949	592.906	3.574.037
Mortgages received	Rub	175.174.835	15.898.868	175.174.835	13.197.672
Checks and notes received	TRY	19.712.262	19.712.262	19.742.262	19.742.262
Checks and notes received	Euro	70.000	458.549	70.000	421.960
Checks and notes received	USD	47.300	272.216	47.300	248.841
Pledge	TRY	19.151.603	19.151.603	15.835.159	15.835.159
Total CPM received			**652.708.821**		**689.771.272**

As of 30 June 2019 and 31 December 2018, the details of the CPM given are as follows:

		30 June 2019		31 December 2018	
	Currency	**Original**	**TRY Amount**	**Original**	**TRY Amount**
A. Total CPM given for the Cornpany's own legal cntity	TRY	21.511.793	21.511.793	21.486.720	21.486.720
	USD	21.600.004	124.310.183	21.148.223	111.258.686
	EUR	2.086.275	13.666.562	4.966.275	29.936.706
B. Total CPM giyen in favoor of subsidiaries consolidated on line-by-line basis		-	-	-	-
C. Total CPM giyen in favour of other 3rd parties for ordinaı trading operaüons		-	-	-	-
D. Other CPM giyen		-	-	-	-
i. Tolal CPM giyen in favour of parent entity		-	-	-	-
ii. Toıal CPM giyen in favour of olber Group cornpanies not of scope ofclause B and C		-	-	-	-
iii. Total CPM giyen in favour of other 3rd parties out of scope of clause C		-	-	-	-
			159.488.538		**162.682.112**

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

15. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	30 June 2019	31 December 2018
Social security payables	7.056.975	2.624.202
Wage and salary payables to personnel	3.102.505	731.667
Personnel witholding tax	2.943.060	2.710.908
	13.102.540	**6.066.777**

b. Long Term Employee Benefits

	30 June 2019	31 December 2018
Retirement pay provision	34.880.810	29.122.963
Provision for unpaid vacation liability	5.017.674	3.637.726
Seniority provision	1.407.569	1.081.956
	41.306.053	**33.842.645**

The movement of "Retirement Pay Provision" for the period ended 30 June 2019 and 30 June 2018 is stated below:

	1 January-30 June 2019	1 January - 30 June 2018
Opening balance	29.122.963	28.261.383
Service cost	6.938.031	4.072.296
Interest cost	710.207	517.176
Actuarial loss / (gain)	(1.994.367)	819.666
Provision paid during the period	(2.145.606)	(2.571.642)
Currency translation difference	2.249.582	178.124
Closing balance	**34.880.810**	**31.277.003**

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 TRY 6.017,60 as of 30 June 2019 (31 December 2018: full TRY 5.434,42).

In the consolidated financial statements dated 30 June 2019 and 31 December 2018, the actuarial assumptions used in calculating the severance pay liability are as follows:

	30 June 2019	31 December 2018
Discount rate	5,10%	5,1%
Employee turnover rate	3,77%	3,73%

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

15. EMPLOYEE BENEFITS (continued)

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

	1 January - 30 June 2019	1 January - 30 June 2018
Opening balance	3.637.726	3.784.774
Additional provision	1.810.464	1.197.334
Provision paid during the period	(444.470)	(234.966)
Currency translation difference	13.954	14.817
Closing balance	**5.017.674**	**4.761.959**

The movement of "seniorty provision" in the period is stated below:

	1 January - 30 June 2019	1 January - 30 June 2018
Opening balance	1.081.956	727.409
Additional provision	530.070	203.630
Provision paid during the period	(204.457)	(5.132)
Closing balance	**1.407.569**	**925.907**

16. OTHER ASSETS AND LIABILITIES

a. Other Assets

Other current assets	30 June 2019	31 December 2018
Deferred VAT (1)	92.516.748	72.343.398
Job and personnel advances	1.906.462	800.807
Other current assets	6.842.555	3.014.861
	101.265.765	**76.159.066**

Other non-current assets	30 June 2019	31 December 2018
Deferred VAT (2)	35.398.302	13.920.096
Export VAT (3)	4.197.146	3.902.117
Other non-current assets	12.403	2.154
	39.607.851	**17.824.367**

(1) According to the estimates of the Group, the portion to be deducted from the VAT payables to be paid within one year is reclassified to other current assets.
(2) According to the Group's estimations, the portion of the transferred VAT of Afyon Çimento T.A.Ş which will be deducted over a year is classified as long term. (31 December 2018: TRY 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.

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

16. OTHER ASSETS AND LIABILITIES (continued)

b. Other Liabilities

	30 June 2019	31 December 2018
Other short term liabilities	20.978.635	8.575.707
	20.978.635	**8.575.707**

17. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 30 June 2019 and 31 December 2018, the composition of shareholders is as follows:

	30 June 2019		31 December 2018	
Shareholders (*)	(%)	Amount	(%)	Amount
Hacı Ömer Sabancı Holding A.Ş.	54,54	73.674.201	54,54	73.674.201
Akçansa Çimento San. ve Tic. A.Ş.	8,98	12.130.560	8,98	12.130.560
Hacı Ömer Sabancı Vakfı	0,11	150.000	0,11	150.000
Other shareholders	36,37	49.129.681	36,37	49.129.681
Nominal share capital	100	135.084.442	100	135.084.442
Inflation adjustment		41.741.516		41.741.516
Rearranged share capital		**176.825.958**		**176.825.958**

(*) Public quotation of the Group is 36,48% as of 30 June 2019 (31 December 2018: 36,48%).
(**) Aberdeen Asset Management Limited holds 7,91 % of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2018: %9,07).

As of June 30, 2019, the Company's capital is composed of 135.084.442 units (31 December 2018: 135.084.442). The nominal value of the shares is 1 TRY per share (31 December 2018: 1 TRY per share).

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 TRY 67.542.221 of dividend and to allocate TRY 6.078.800 of "Legal reserves" and TRY 154.730.921 "Extraordinary reserves" were unanimously approved, was decided to pay as of 29 March 2018.

17. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

Profit Distribution

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

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

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.

Foreign currency translation differences

According to TAS 21 "Effects of Changes in Foreign Exchange Rates", during the consolidation, the assets and liabilities of Group'ssubsidiaries and joint ventures in foreign countries are translated to Turkish Lira with respect to the exchangerates on the balance sheet date.Income and expense items are translated via the average exchange rates.The differences emerged as a result of using the closing and average exchange rates are accounted for as foreign currency translation differences in the comprehensive statement of income.

Non- controlling interests

All non-controlling shares are eliminated from the equity accounts, including paid-in capital, of the consolidated subsidiaries and presented as a non-controlling interest in shareholders' equity in the consolidated balance sheet.

Available for sales financial assets revaluation reserve

Exsa, which is the Group's investment accounted by equity method, purchased shares of Hacı Ömer Sabancı Holding A.Ş. Those shares are classified as available for sale financial assets in financial statements and accounted in available for sales financial assets revaluation reserve under shareholders' equity by taking into consideration its deferred tax effect.

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019			31 December 2018		
	Fair Value			Fair value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Hedging against impaired risk						
Cross Currency Swap	-	-	-	90.420.000	-	22.000.136
Hedging against cash flow risk						
Forward foreign exchange transactions	98.110.921	15.176.719	-	131.213.033	22.511.102	-
Marketable securities						
Forward foreign exchange transactions	63.580.321	-	14.865.958	68.082.233	-	19.561.894
Total short term derivative financial instruments		**15.176.719**	**14.865.958**		**22.511.102**	**41.562.030**
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	233.127.858	1.859.786	-	221.267.267	1.395.978	-
Hedging against cash flow risk						
Forward foreign exchange transactions	169.547.536	48.645.173	-	153.185.034	55.936.459	-
Marketable securities						
Forward foreign exchange transactions	169.547.536	-	48.645.173	153.185.034	-	55.936.459
Total long term derivative financial instruments		**50.504.959**	**48.645.173**		**57.332.437**	**55.936.459**
Total derivative financial instruments		**65.681.678**	**63.511.131**		**79.843.539**	**97.498.489**

As of June 30, 2019, the Group has realized 35,5 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 June 30, 2019, the Group has realized 35,5 million Euro nominal value sell Turkish lira buy Euro forward transaction with maturity of 4 years expired on March 29, 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit and loss.
As of June 30, 2019, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of 35,5 million Euro of floating rates are replaced with fixed installment payments to hedge against cash flow risk. Changes arising from interest rate swap transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

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

19. REVENUE

Sales	1 January – 30 June 2019	1 April – 30 June 2019	1 January – 30 June 2018	1 April – 30 June 2018
Domestic sales	375.928.587	222.287.241	572.705.101	325.880.561
Export sales	579.434.945	337.186.334	390.540.475	233.378.944
Sales discounts (-)	(20.841.671)	(13.003.845)	(22.847.970)	(12.265.546)
Other deductions (-)	(122.457.744)	(70.595.557)	(87.053.835)	(54.385.463)
	812.064.117	**475.874.173**	**853.343.771**	**492.608.496**
Cost of sales (-) (Note:20)	**(662.336.403)**	**(393.356.270)**	**(620.476.203)**	**(353.930.329)**
Gross profit	**149.727.714**	**82.517.903**	**232.867.568**	**138.678.167**

20. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January – 30 June 2019 and 2018 is as follows:

Cost of sales (-)

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Direct material and supplies expenses	(238.348.221)	(135.794.097)	(261.669.388)	(152.659.362)
Energy costs	(248.065.323)	(241.193.398)	(219.274.822)	(116.479.399)
Other production expenses	(26.461.391)	(6.740.825)	(62.642.804)	(25.954.157)
Depreciation and amortization expenses	(66.652.349)	(39.097.188)	(48.319.849)	(24.281.290)
Direct labor expenses	(42.029.366)	70.272.593	(37.572.948)	(20.473.749)
Total production cost	**(621.556.650)**	**(352.552.915)**	**(629.479.811)**	**(339.847.957)**
Change in work-in process	14.926.630	480.168	42.388.252	3.963.680
Change in finished goods	15.432.106	6.243.416	8.068.021	7.012.751
Inventory impairment provision (Note 9)	(299.333)	(201.398)	-	-
Inventory impairment provision no longer required (Note 9)	-	-	116.818	116.818
Cost of trade goods sold and other	(70.839.156)	(47.325.541)	(41.569.483)	(25.175.621)
	(662.336.403)	**(393.356.270)**	**(620.476.203)**	**(353.930.329)**

The detail of general administration expenses for the periods between 1 January – 30 June 2019 and 2018 is as follows:

General administration expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	(20.934.263)	(9.010.265)	(18.025.574)	(9.050.113)
Consultancy expense	(14.153.413)	(9.544.226)	(7.728.824)	(4.653.479)
Retirement pay provisions	(4.496.537)	(1.922.552)	(2.728.219)	(1.046.455)
Depreciation and amortization	(3.617.360)	(1.884.598)	(1.054.106)	(590.898)
Tax, duty and charges	(3.344.416)	(1.991.752)	(4.104.614)	(3.092.946)
IT expenses	(3.241.982)	(1.603.660)	(2.645.727)	(1.344.517)
Travel expenses	(2.318.721)	(1.246.664)	(2.137.439)	(1.211.659)
Insurance expenses	(1.513.800)	(944.457)	(1.735.329)	(1.263.675)
Communication and advertising	(1.152.639)	(537.510)	(1.193.270)	(589.402)
Representation expenses	(1.232.211)	(763.822)	(1.077.745)	(824.810)
Rent expenses	(776.350)	(269.373)	(2.516.931)	(1.355.345)
Maintenance expenses	(407.915)	(76.388)	(231.108)	(126.029)
Other miscellaneous expenses	(4.975.903)	(2.394.212)	(2.151.578)	(487.039)
	(62.165.510)	**(32.189.479)**	**(47.330.464)**	**(25.636.367)**

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

20. OPERATING EXPENSES BY NATURE (continued)

The detail of marketing, selling and distribution expense for the periods between 1 January – 30 June 2019 and 2018 is as follows:

Marketing, selling and distribution expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	(5.238.341)	(3.247.467)	(4.124.923)	(2.387.121)
Travel expenses	(544.976)	(256.231)		(316.047)
Rent expenses	(470.856)	(274.351)	(387.804)	(210.901)
Consultancy expenses	(338.293)	(254.848)	(192.015)	(98.328)
Representation expenses	(199.882)	(125.485)	(125.847)	(47.918)
Insurance expenses	(159.678)	(58.967)	(310.927)	(176.769)
Depreciation and amortization expenses	(121.784)	(63.536)	(115.603)	(59.078)
Communication and advertising expenses	(44.209)	(24.083)	(62.902)	(33.570)
Other miscellaneous expenses	(1.232.551)	(681.526)	(769.748)	(400.589)
	(8.350.570)	**(4.986.494)**	**(6.748.193)**	**(3.730.321)**

The detail of marketing, research and development expense for the periods between 1 January – 30 June 2019 and 2018 is as follows:

Research and development expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	(1.771.072)	(997.779)	(1.284.290)	(718.464)
Outsourced benefits and services	(241.962)	(209.005)	(66.077)	(31.698)
Travel expenses	(142.842)	(70.127)	(203.918)	(145.166)
Raw material expenses	(95.983)	(95.983)	-	-
Depreciation and amortization expenses	(50.915)	(25.621)	(41.207)	(20.613)
Maintenance expenses	(25.651)	(24.751)	(9.200)	(8.850)
Rent expenses	(22.188)	(11.282)	(17.772)	(9.211)
Transportation expenses	(3.984)	(2.934)	(3.821)	(2.921)
Representation expenses	-	-	(2.245)	(1.188)
Other miscellaneous expenses	(113.043)	(48.850)	(236.286)	(68.561)
	(2.467.640)	**(1.486.332)**	**(1.864.816)**	**(1.006.672)**

21. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gain from operating activities	46.888.259	21.192.522	36.373.588	12.051.138
Insurance damage compensation income	8.489.204	8.489.204	-	-
Overdue and interest income from operating activities	1.718.067	1.303.885	614.769	256.381
Sales of scrap and miscellaneous material	1.018.894	293.124	857.864	347.583
Provisions no longer required (Not 6/13)	525.999	265.792	497.009	493.563
Incentive premiums received	-	-	138.936	135.755
Other income	2.407.955	1.725.474	1.305.379	135.755
	61.048.378	**33.270.001**	**39.787.545**	**13.420.175**

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

21. OTHER OPERATING INCOME AND EXPENSES (continued)

Other operating expense	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange loss from operating activities	(37.195.706)	(25.261.763)	(12.023.679)	(9.430.840)
Provision expenses (Note 6/13)	(3.216.263)	(1.606.878)	(3.136.426)	(1.132.900)
Compensation and penalty expenses	(955.435)	(299.140)	(3.346.284)	(2.929.204)
Interest expense of retirement pay provision	(710.207)	(408.398)	(517.176)	(413.889)
Paid legal expenses	(215.802)	(84.359)	(82.151)	(40.413)
Donations and grants	(191.144)	(87.114)	(164.695)	(100.700)
Other expenses	(918.846)	80.690	(3.870.639)	(2.315.151)
	(43.403.403)	**(27.666.962)**	**(23.141.050)**	**(16.363.097)**

22. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Fixed assets sales income (*)	26.993.190	10.878.516	14.562.125	14.394.301
Other income	1.285.684	776.218	3.281.810	1.721.615
	28.278.874	**11.654.734**	**17.843.935**	**16.115.916**

Expense from investment activities	1 January 30 June 2019	1 April 30 June 2019	1 January 30 June 2018	1 April 30 June 2018
Fixed asset sales expense	(184.086)	(179.703)	(1.377)	(1.377)
	(184.086)	**(179.703)**	**(1.377)**	**(1.377)**

(*) Fixed assets sales income is related to the ongoing sale of the old factory land of Afyon, which has sales transfer transactions completed as of June 30, 2019 and the sale of land in Niğde.

23. FINANCIAL INCOME / EXPENSE

Financial income	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest income	3.705.018	2.306.565	959.180	300.707
Total financial income	**3.705.018**	**2.306.565**	**959.180**	**300.707**

Financial expenses	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest expenses of bank borrowings	(107.404.327)	(51.054.653)	(61.869.430)	(15.750.387)
Foreign exchange loss on bank borrowings	(41.396.357)	(32.245.862)	(22.278.904)	(16.643.331)
Other financial expenses	(2.422.950)	(2.127.512)	(692.987)	(286.817)
Total financial expenses	**(151.223.634)**	**(85.428.027)**	**(84.841.321)**	**(32.680.535)**

24. INCOME TAXES

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

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 June 30, 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 2018, 22% tax rate is used in the deferred tax calculation of 30 June 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 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

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

24. 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 June 30, 2019 and December 31, 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 30 June 2019 and 31 December 2018, corporate tax payables are summarized as follows:

Assets related to the current period taxes	**30 June 2019**	**31 December 2018**
Prepaid taxes and funds	717.662	2.526.430
	717.662	**2.526.430**

Corporate tax payable	**30 June 2019**	**31 December 2018**
Current period corporate tax provision	(6.109.755)	(11.217.802)
Prepaid taxes and funds (-)	647.063	5.106.303
	(5.462.692)	**(6.111.499)**

Tax expense	**1 January – 30 June 2019**	**1 April – 30 June 2019**	**1 January – 30 June 2018**	**1 April – 30 June 2018**
Current period corporate tax (expense)/income	(6.109.755)	(2.241.122)	(18.276.414)	(13.789.898)
Deferred tax (expense)/income	21.528.183	12.937.176	(6.852.118)	(2.478.575)
	15.418.428	**10.696.054**	**(25.128.532)**	**(16.268.473)**

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

24. INCOME TAXES (continued)

The details of the deferred tax assets and liabilities of the Group as of 30 June 2019 and 31 December 2018 are as follows:

Deferred tax assets	**30 June 2019**	**31 December 2018**
Tax losses carried forward	19.214.796	9.686.657
Provision for employee benefits	7.580.510	7.764.268
Recultivation provision	857.179	805.203
Provision for other doubtful receivables	1.783.572	1.792.720
Investment allowance	8.570.518	5.110.370
Provision for litigations	4.066.353	3.685.602
Fair value of derivative financial instruments	-	3.049.594
Inventory impairment provision	981.436	755.307
Rediscount of receivables	41.927	272.248
Other	5.539.056	3.673.448
	48.635.347	36.595.417
Deferred tax liabilities		
Goodwill	(24.663.427)	(24.589.322)
Property, plant and equipment and intangible assets	(21.288.401)	(20.677.588)
Fair value of derivative instruments	2.430.909	-
Rediscount of payables and borrowings	(1.124.534)	(1.289.005)
Other	(369.715)	-
	(45.015.168)	(46.555.915)
Net deferred tax asset / (liability)	**3.620.179**	**(9.960.498)**

Deferred tax assets / (liabilities) presentation at balance sheet	**30 June 2019**	**31 December 2018**
Deferred tax assets	48.635.347	40.740.895
Deferred tax liabilities	(45.015.168)	(50.701.393)
	3.620.179	**(9.960.498)**

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

Deferred tax assets / (liabilities) movement	**30 June 2019**	**30 June 2018**
Opening balance	9.960.498	25.835.740
Deferred tax (income)/expense	(21.528.183)	6.852.118
Accounted under other comprehensive income	10.247.574	(15.045.046)
Currency translation difference and other	(2.300.068)	4.980.215
Closing balance	**(3.620.179)**	**22.623.027**

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

24. INCOME TAXES (continued)

Tax reconciliation:	30 June 2019	30 June 2018
Profit before taxation	(5.770.807)	147.495.235
Effective statutory income tax rate	%22	%22
Tax expense at the effective statutory income tax rate	1.269.578	(32.448.952)
Reconciliation of tax provision calculated with deductible:		
-Non-deductible expenses	(453.552)	(376.931)
-Investment allowance	8.570.518	2.395.332
-Tax exemption from sale of Afyon land	2.916.357	2.067.757
-Tax rate change effect (22%-20%)	115.416	(2.949.905)
-Effect of the profit from investments accounted by equity method	4.238.091	4.392.130
-Other	(1.237.980)	1.792.037
Tax expense in the income statement	**15.418.428**	**(25.128.532)**

"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 TRY denominated commercial loans, from their Corporate tax base of the relevant year. Within the scope of the authorization provision in the legal regulation, the Council of Ministers amended this rate with the Decision no. 2015/7910 published in the Official Gazette dated 31 December 2016. Accordingly, the deduction will be applied as follows;

a) For publicly held capital companies whose shares are traded in the stock exchange, 25 points will be added to 50% rate where the ratio of the nominal value of shares followed up as tradable shares in the stock exchange by Merkezi Kayıt Kuruluşu A.Ş. to the registered paid-in or removed capital is 50% or less as of the last day of the year when the deduction is benefited from, 50 points will be added to 50% rate where the above-mentioned ratio is above 50%.

b) If the capital increased in cash is used in production and industry plants with investment incentive certificates and investments of machines and equipments pertaining to these plants and/or investments of lands and plots allocated to construction of these plants, the deduction in question will be applied by adding 25 points to the 50% rate stated above, as limited to the fixed investment amount in the investment incentive certificate.

25. EARNINGS PER SHARE

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

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Number of shares	135.084.442	135.084.442	135.084.442	135.084.442
Profit attributable to equity holders of the parent–TRY	23.201.464	5.009.290	117.436.245	80.293.070
Dividend per share with nominal value of 1 Kr–TRY	0,1718	0,0371	0,8694	0,5944

Dividend distributed per share:

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

Dividend amount distributed	67.542.221
Weighted average number of shares	135.084.442
Dividend per share	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.

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

26. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity's financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 30 June 2019 and 31 December 2018 and the related party transactions for the interim periods ended 30 June 2019 and 31 December 2018 are mainly as follows:

Short term trade receivables from related parties

	30 June 2019	31 December 2018
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	1.270.682	3.100
Enerjisa Enerji A.Ş. (2)	-	10.177
Teknosa (2)	-	5.220
	1.270.682	**18.497**

Short term other receivables from related parties

	30 June 2019	31 December 2018
Ak Finansal Kiralama A.Ş.	228.723	223.504
Avivasa Emeklilik Hayat A.Ş. (3)	-	25.093
	228.723	**248.597**

(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.

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

26. RELATED PARTY DISCLOSURES (continued)

Short term trade payables to related parties

	30 June 2019	31 December 2018
Enerjisa Enerji A.Ş. (2)	92.402.356	58.562.205
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	-	12.441
	92.402.356	**58.574.646**

Short term other payables to related parties

	30 June 2019	31 December 2018
Bimsa Uluslararı İş Bilgi ve Yön. Sistemleri A.Ş. (2)	382.417	1.319.525
Aksigorta A.Ş. (3)	47.621	3.504
Teknosa (3)	56.457	64.390
Other	250.441	185.504
	736.936	**1.572.923**

Bank balances deposited in related parties

	30 June 2019	31 December 2018
Akbank T.A.Ş. (2)	145.889.789	199.233.840
	145.889.789	**199.233.840**

Borrowings from related parties

	30 June 2019	31 December 2018
Akbank T.A.Ş. bank borrowings (2)	201.810.008	283.145.528
	201.810.008	**283.145.528**

Sales to related parties

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	1.858.838	1.847.143	648.119	648.119
Ak Finansal Kiralama	1.325.869	1.325.869	-	-
Bimsa	754.000	754.000	14.937	9.037
Enerjisa Enerji A.Ş. (2)	355.672	-	-	-
Teknosa (3)	103.828	-	-	-
Other	104.660	104.363	-	-
	4.502.867	**4.031.375**	**663.056**	**657.156**

(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.

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

26. RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Enerjisa Enerji A.Ş. (3)	95.781.684	73.826.981	49.994.000	35.379.000
Aksigorta A.Ş.	5.132.457	712.058	2.382.646	2.382.646
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. (2)	3.826.262	1.952.780	1.919.787	1.280.286
Ak Yatırım	1.666.028	-	-	-
Ak Finansal Kiralama	1.325.869	1.325.869	-	-
Avivasa Emeklilik ve Hayat A.Ş. (3)	322.722	322.711	283.840	280.797
CarrefourSA	-	-	147.075	146.953
Teknosa	84.605	77.919	43.529	43.529
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	-	-	16.792	-
Hacı Ömer Sabancı Holding. A.Ş. (3)	-	-	816	816
	108.139.627	**78.218.318**	**54.788.485**	**39.514.027**

Interest income from related parties

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Akbank T.A.Ş. (2)	1.071.055	43.194	111.239	-
	1.071.055	**43.194**	**111.239**	-

Interest expense from related parties

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Akbank T.A.Ş. (2)	(31.074.971)	(21.638.508)	(17.942.360)	(8.940.038)
	(31.074.971)	**(21.638.508)**	**(17.942.360)**	**(8.940.038)**

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 TRY 5.793.705 (30 June 2018 – TRY 7.787.480). The contributions paid to Social Security Institution are TRY 455.993 (30 June 2018 – TRY 616.634).

(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.

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

27. FOREIGN CURRENCY RISK

As of 30 June 2019 and 31 December 2018, the Group's foreign currency position in terms of the original currency is as follows:

	30 June 2019				**31 December 2018**			
	TRY Equivalent (Functional Currency)	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**	**TRY Equivalent (Functional Currency)**	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**
Trade receivables	256.347.056	33.297.733	9.538.951	305.877	140.255.188	19.951.155	5.855.036	-
Monetary financial assets	102.030.236	10.133.289	6.626.775	41.470	93.431.844	10.812.670	5.711.806	318.167
Other	12.456.296	2.007.266	137.487	500	-	-	-	-
Current Assets	**370.833.588**	**45.438.288**	**16.303.213**	**347.847**	233.687.032	30.763.825	11.566.842	318.167
TOTAL ASSET	**370.833.588**	**45.438.288**	**16.303.213**	**347.847**	233.687.032	30.763.825	11.566.842	318.167
Trade payables	(57.752.818))	(7.717.489)	(1.977.946)	(52.291)	(49.166.246)	(8.722.170)	(544.091)	-
Financial liabilities	(593.004.706)	(27.468.774)	(66.392.777)	-	(572.579.391)	(32.000.000)	(67.058.824)	-
Other	(18.523.089)	(1.275.540)	(1.701.365)	(5.092)				
Short Term Liabilities	**(669.280.613)**	**(36.461.803)**	**(70.072.088)**	**(57.383)**	(621.745.637)	(40.722.170)	(67.602.915)	-
TOTAL LIABILITIES	**(669.280.613)**	**(36.461.803)**	**(70.072.088)**	**(57.383)**	(621.745.637)	(40.722.170)	(67.602.915)	-
Foreign currency asset liability position	**(298.447.025)**	**8.976.485**	**(53.768.875)**	**290.464**	(388.058.604)	(9.958.345)	(56.036.073)	318.167
Off balance sheet derivative financial instruments net asset/liability position	**302.189.058**	**12.000.000**	**35.588.236**	**-**	407.081.391	12.000.000	57.058.824	-
Net foreign currency asset liability position	**3.742.033**	**20.976.485**	**(18.180.639)**	**290.464**	19.022.787	2.041.655	1.022.751	318.167
Net foreign currency asset / liability position for monetary items	**(292.380.232)**	**8.244.759**	**(52.204.997)**	**295.056**	(388.058.604)	(9.958.345)	(56.036.073)	318.167
Net foreing currency asset / liability position for derivative financial instruments	2.170.547	53.997	283.906	-	(1.885.503)	(121.843)	(206.453)	-
Hedged foreign currency assets	(302.189.058)	(12.000.000)	(35.588.236)	-	(407.081.391)	(12.000.000)	(57.058.824)	-
Export	431.579.977	49.744.794	23.019.095	862.905	705.508.548	84.825.592	41.179.979	1.655.946
Import	155.595.641	27.171.597	471.744	-	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.

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

27. FOREIGN CURRENCY RISK (continued)

Foreign currency risk occurs due to the Group's assets and liabilities which are denominated mostly in USD, EUR and GBP.

The information below shows the Group's sensitivity to a 10% (+ / -) change in USD, EUR and GBP. 10% is the sensitivity rate which represents the top management's assessment of the possible change in foreign exchange rates. Sensitivity analyses contains only foreign currency denominated monetary items in period and shows the effect of 10% foreign exchange change on these items. 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 balances show increase in profit/loss and other equity items.

	Profit /Loss		Equity	
30 June 2019	Foreign currency Appreciation	Foreign currency Depreciation	Foreign currency Appreciation	Foreign currency Depreciation
1- USD net assets / liabilities	5.166.057	(5.166.057)	5.166.057	(5.166.057)
2- Hedged portion of USD risk (-)	6.906.120	(6.906.120)	6.906.120	(6.906.120)
3- USD net effect (1+2)	12.072.177	(12.072.177)	12.072.177	(12.072.177)
4- Net EUR assets/liabilities	(35.222.377)	35.222.377	(35.222.377)	35.222.377
5- Hedged portion of EUR risk (-)	23.312.786	(23.312.786)	23.312.786	(23.312.786)
6- EUR net effect (4+6)	(11.909.591)	11.909.591	(11.909.591)	11.909.591
7- Net GBP assets/liabilities	211.618	(211.618)	211.618	(211.618)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	211.618	(211.618)	211.618	(211.618)
TOTAL (3+6+9)	**374.204**	**(374.204)**	**374.204**	**(374.204)**

	Profit /Loss		Equity	
31 December 2018	Foreign currency Appreciation	Foreign currency depreciation	Foreign currency Appreciation	Foreign currency depreciation
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)
TOTAL (3+6+9)	**1.902.278**	**(1.902.278)**	**1.902.278**	**(1.902.278)**

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.

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

28. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURE

Fair value of financial instruments

Fair value is defined as the price that will be received between market participants in the ordinary course of business at the date of measurement, at the time of sale or sale of an asset.
Estimates are necessary in interpreting market data to determine appropriate 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 the carrying values of cash and cash equivalents are equal to their fair values due to their short-term nature.

The registered values of the receivables are foreseen to reflect the fair value together with the corresponding impairment allowances due to their short term nature.

Monetary liabilities

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

	30 June 2019	31 December 2018
Fair value difference reflects other comprehensive income / loss derivate financial assets and liabilities (*)	63.511.131	(97.498.489)
Total	**63.511.131**	**(97.498.489)**

	30 June 2019	31 December 2018
Fair value difference reflects over income / loss financial assets and liabilities	65.681.678	79.843.539
Total	**65.681.678**	**79.843.539**

(*) The derivative instruments detailed in Note 18 consist of forward purchase / sale contracts. The Group has secured part of its sales with foreign exchange forward contracts. In addition, interest rate swap transactions were made against the risk of impairment arising from interest rate changes of the loan. As of June 30, 2019, the revaluation amount of the Group's hedged transactions amounting to net TRY 57.581.013 (2018: TRY 75.387.265) has been presented in the consolidated statement of financial position as "Derivative Financial Assets and Equity".

28. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURE (continued)

Fair value of financial instruments (continued)

Fair value measurement hierarchy chart

The fair value of financial assets and liabilities is determined as follows:

• Level 1: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices.
• Level 2: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market.
• Level 3: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

29. SUBSEQUENT EVENTS

There are no subsequent events.