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

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

1 JANUARY - 31 MARCH 2021 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

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

	Note	(Not Audited) Current Period 31 March 2021	(Audited) Prior Period 31 December 2020
ASSETS			
Cash and cash equivalents	5	355,069,673	903,961,752
Trade receivables	6	355,589,244	321,765,215
Trade receivables from related parties	*29*	*2,246,772*	*685,287*
Trade receivables from third parties		*353,342,472*	*321,079,928*
Other receivables		1,159,214	2,489,773
Other receivables from related parties	*29*	*240,750*	*296,267*
Other receivables from third parties	*8*	*918,464*	*2,193,506*
Derivative financial instruments	21	53,399,024	42,587,851
Inventories	9	279,242,485	228,653,262
Prepaid expenses	10	43,290,673	59,158,323
Assets related to the current period taxes	27	383,945	200,717
Other current assets	19	66,213,480	66,663,718
Non-current assets held for sale	12	2,871,419	8,522,648
Subtotal		**1,157,219,157**	**1,634,003,259**
Assets directly associated with assets classified as held for sale	16	1,050,052,394	922,898,311
Current assets		**2,207,271,551**	**2,556,901,570**
Other receivables	8	4,930,002	6,398,102
Other receivables from third parties		*4,930,002*	*6,398,102*
Financial investments		64,478	64,478
Investments accounted under equity method	3	766,256,386	708,350,343
Derivative financial instruments	21	573,741	10,907,697
Property, plant and equipment		1,581,964,952	1,579,599,880
Right of use assets	13	22,251,921	24,879,991
Intangible assets		163,978,030	164,773,022
Goodwill	*14*	*148,119,252*	*148,119,252*
Other intangible assets		*15,858,778*	*16,653,770*
Prepaid expenses	10	2,796,609	3,067,060
Deferred tax assets	27	56,795,863	55,463,788
Other non-current assets	19	20,587,970	18,776,482
Non-current assets		**2,620,199,952**	**2,572,280,843**
TOTAL ASSETS		**4,827,471,503**	**5,129,182,413**

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

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

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

	Note	(Not Audited) Current Period 31 March 2021	(Audited) Prior Period 31 December 2020
LIABILITIES			
Short-term borrowings	7	889,934,276	1,111,893,715
Current portion of long-term borrowings	7	69,749,429	181,271,407
Short-term lease liabilities	7	21,458,808	12,755,410
Trade payables	6	436,092,654	572,397,678
Trade payables to related parties	*29*	*65,501,743*	*96,973,610*
Trade payables to third parties		*370,590,911*	*475,424,068*
Employee benefit obligations	18	9,544,564	8,584,985
Other payables		30,325,671	337,850,942
Other payables to related parties	*29*	*12,516,437*	*315,454,117*
Other payables to third parties	8	*17,809,234*	*22,396,825*
Derivative financial liabilities	21	53,399,148	42,587,972
Deferred income	10	18,086,022	11,301,698
Current income tax liability	27	14,748,906	17,061,162
Short-term provisions	15	51,835,650	37,387,985
Short-term provisions for employee benefits		*1,000,000*	*7,807,614*
Other short-term provisions		*50,835,650*	*29,580,371*
Other current liabilities	19	5,152,484	61,052,734
Subtotal		**1,600,327,612**	**2,394,145,688**
Liabilities directly associated with assets classified as held for sale	16	662,310,344	544,197,063
Current liabilities		**2,262,637,956**	**2,938,342,751**
Long-term borrowings	7	472,776,737	229,509,051
Long-term lease liabilities	7	15,791,427	25,472,916
Long-term provisions		56,124,714	52,713,682
Long-term provisions for employee benefits	18	*51,513,520*	*48,258,745*
Other long-term provisions	15	*4,611,194*	*4,454,937*
Derivative financial liabilities	21	-	12,503,741
Deferred tax liability	27	33,778,961	31,795,935
Non-current liabilities		**578,471,839**	**351,995,325**
SHAREHOLDERS' EQUITY			
Share capital	20	135,084,442	135,084,442
Adjustments to share capital	20	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		12,831,975	25,479,834
Foreign currency translation reserve		*111,937,419*	*85,992,327*
Cash flow hedge fund		*(99,105,444)*	*(60,512,493)*
Other comprehensive income/expense not to be reclassified to profit or loss		(4,043,915)	9,753,120
Increase/(decrease) funds of financial investments value		*8,173,711*	*22,216,596*
Actuarial losses/gains on defined benefit plans		*(12,217,626)*	*(12,463,476)*
Restricted reserves		193,104,976	193,104,976
Retained earnings		1,174,272,645	998,526,403
Net profit for the year		160,882,885	175,746,242
Equity attributable to equity holders of the parent		**1,714,973,939**	**1,580,535,948**
Non-controlling interests		271,387,769	258,308,389
Total shareholders' equity		**1,986,361,708**	**1,838,844,337**
TOTAL LIABILITIES AND EQUITY		**4,827,471,503**	**5,129,182,413**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2021

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

	Note	(Not Audited) Current Period 1 January- 31 March 2021	(Not Audited *) Prior Period 1 January- 31 March 2020
OPERATING INCOME			
Revenue	22	639,268,757	327,140,117
Cost of sales (-)	23	(500,807,982)	(265,027,959)
GROSS PROFIT		**138,460,775**	**62,112,158**
General and administrative expense (-)	23	(30,503,963)	(39,209,851)
Marketing, selling and distribution expense (-)	23	(3,261,079)	(4,875,558)
Research and development expense (-)	23	(1,330,694)	(1,436,623)
Other operating income	24	97,528,577	70,349,836
Other operating expenses (-)	24	(46,460,420)	(43,012,740)
OPERATING PROFIT		**154,433,196**	**43,927,222**
Income from investment activities	25	23,930,699	3,889,134
Profit/(loss) from investments accounted by equity method	3	44,099,995	15,571,575
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**222,463,890**	**63,387,931**
Financial income	26	13,366,442	4,687,890
Financial expenses (-)	26	(36,729,255)	(77,198,603)
PROFIT BEFORE TAXATION		**199,101,077**	**(9,122,782)**
Tax income/(expense) from continuing operations		(24,654,497)	5,211,266
- Current period tax expense	27	(13,721,361)	(996,699)
- Deferred tax income/(expense)	27	(10,933,136)	6,207,965
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**174,446,580**	**(3,911,516)**
PERIOD (LOSS)/PROFIT OF DISCONTINUED OPERATIONS	16	(225,708)	(9,846,531)
NET PROFIT		**174,220,872**	**(13,758,047)**
Profit for the period attributable to			
- Non-controlling interests		13,337,987	(5,566,032)
- Equity holders of the parent		160,882,885	(8,192,015)
Earnings Per Share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	28	1.1910	(0.0606)
Earnings Per Share			
Earnings per share from discontinued operations (Nominal amount of 1 Kr)	28	(0.0017)	(0.0729)

* Note 2.7

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021

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

	(Not Audited) Current Period 1 January- 31 March 2021	(Not Audited*) Prior Period 1 January- 31 March 2020
PERIOD (LOSS)/PROFIT OF CONTINUING OPERATIONS	**174,446,580**	**(3,911,516)**
Other comprehensive income/expense to be reclassified to profit or loss	**(31,746,502)**	**(1,167,098)**
Cash flow hedge fund	(39,683,128)	(1,496,279)
Tax income/(expense)	7,936,626	329,181
Other comprehensive income/expense not to be reclassified to profit or loss	**(13,797,035)**	**(29,477,974)**
Increase/(decrease funds)of financial investments value	(17,553,606)	(34,229,679)
Actuarial gains/(losses) on defined benefit plans	307,312	(3,562,595)
Tax (expense)/income	3,449,259	8,314,300
PERIOD (LOSS)/PROFIT OF DISCONTINUED OPERATIONS	**(225,708)**	**(9,846,531)**
Other comprehensive income/expense to be reclassified to profit or loss	**18,840,036**	**24,109,825**
Foreign currency translation reserve	25,686,485	23,313,349
Cash flow hedge fund	(8,558,061)	1,021,123
Tax (expense)/income	1,711,612	(224,647)
OTHER COMPREHENSIVE INCOME/(EXPENSE) (AFTER TAX)	**(26,703,501)**	**(6,535,247)**
TOTAL COMPREHENSIVE INCOME	**147,517,371**	**(20,293,294)**
Total comprehensive income attributable to		
- Non-controlling interests	13,079,380	(5,460,065)
- Equity holders of the parent	134,437,991	(14,833,229)

* Note 2.7

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2021
(Amounts expressed in Turkish Lira ('TRY'), unless otherwise indicated.)

				Other Comprehensive Income/Expense to be Reclassified to Profit or Loss		**Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss**			**Retained Earnings**				
	Share capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Cash flow hedge reserve	Increase/ (decrease) funds of financial investments	Actuarial gains/(losses) on defined benefit plans	Restricted reserves	Retained earnings	Net profit for the period	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
1 January 2020	**135,084,442**	**41,741,516**	**1,099,415**	**54,499,662**	**(39,575,608)**	**12,378,142**	**(8,924,835)**	**193,104,976**	**985,356,923**	**13,169,480**	**1,387,934,113**	**97,829,126**	**1,485,763,239**
Transfer from retained earnings	-	-	-	-	-	-	-	-	13,169,480	(13,169,480)	-	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	(8,192,015)	(8,192,015)	(5,566,032)	**(13,758,047)**
Other comprehensive income/(expense)	-	-	-	23,207,383	(370,622)	(26,699,150)	(2,778,824)	-	-	-	**(6,641,213)**	105,967	**(6,535,246)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**23,207,383**	**(370,622)**	**(26,699,150)**	**(2,778,824)**	**-**	**-**	**(8,192,015)**	**(14,833,228)**	**(5,460,065)**	**(20,293,293)**
31 March 2020	**135,084,442**	**41,741,516**	**1,099,415**	**77,707,045**	**(39,946,230)**	**(14,321,008)**	**(11,703,659)**	**193,104,976**	**998,526,403**	**(8,192,015)**	**1,373,100,885**	**92,369,061**	**1,465,469,946**
1 January 2021	**135,084,442**	**41,741,516**	**1,099,415**	**85,992,327**	**(60,512,493)**	**22,216,596**	**(12,463,476)**	**193,104,976**	**998,526,403**	**175,746,242**	**1,580,535,948**	**258,308,389**	**1,838,844,337**
Transfer from retained earnings	-	-	-	-	-	-	-	-	175,746,242	(175,746,242)	-	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	160,882,885	**160,882,885**	13,337,987	**174,220,872**
Other comprehensive income/(expense)	-	-	-	25,945,092	(38,592,951)	(14,042,885)	245,850	-	-	-	**(26,444,894)**	(258,607)	**(26,703,501)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**25,945,092**	**(38,592,951)**	**(14,042,885)**	**245,850**	**-**	**-**	**160,882,885**	**134,437,991**	**13,079,380**	**147,517,371**
31 March 2021	**135,084,442**	**41,741,516**	**1,099,415**	**111,937,419**	**(99,105,444)**	**8,173,711**	**(12,217,626)**	**193,104,976**	**1,174,272,645**	**160,882,885**	**1,714,973,939**	**271,387,769**	**1,986,361,708**

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2021

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

	Note	(Not Audited) Current Period 1 January- 31 March 2021	(Not Audited) Prior Period 1 January- 31 March 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(173,853,706)**	**10,950,772**
Profit/(loss) from continuing operations before tax		199,101,077	(9,122,782)
Profit/(loss) from discontinued operations before tax	16	322,629	(10,783,367)
Adjustments to reconcile net profit/loss for the period		**(37,045,200)**	**101,413,268**
Adjustment related to depreciation and amortization expense		41,172,965	37,618,697
Adjustment related to gain on sale of fixed assets	25	(23,930,699)	(3,889,134)
Adjustments related to retained profits of subsidiaries	3	(44,099,995)	(15,571,575)
Adjustment related to allowance for doubtful receivable		-	8,000
Adjustment related to provision for inventory impairment		346,879	435,309
Adjustment related to provision for litigations, -net	15	1,408,270	691,030
Adjustment related to recultivation provision	15	156,257	(236,774)
Adjustment related to retirement pay provision		2,614,826	4,285,539
Adjustment related to seniority provision	18	565,302	504,383
Adjustment related unpaid vacation liability		1,343,051	768,581
Adjustment for premium provision		1,000,000	-
Adjustment related to interest expense		31,139,219	43,571,822
Adjustment related to interest income		(16,361,360)	(5,028,677)
Unrealized foreign exchange (gains)/losses on financial borrowings		7,317,003	38,348,030
Adjustment related to fair value decrease/(increase) of derivative financial instruments		(39,716,918)	(91,963)
Changes in working capital		**(315,101,122)**	**(67,106,220)**
Short-term trade receivables		(83,015,368)	(53,715,157)
Inventories		(65,312,445)	(80,818,873)
Other receivables/current assets/prepaid expenses		17,262,727	(16,394,715)
Other long-term trade receivables/non-current/prepaid expenses		(19,454,180)	(5,413,337)
Short-term trade payables		(139,649,352)	90,958,697
Other short-term payables/liabilities/provisions		(24,932,504)	(1,722,835)
Cash flow from operations		**(152,722,616)**	**14,400,899**
Interest received		2,991,690	337,992
Premiums and bonuses paid		(6,437,720)	-
Retirement pay provision paid		(483,221)	(1,604,957)
Seniority provision paid	18	(198,096)	(365,930)
Unused vacation liability paid	18	(205,083)	(144,749)
Tax payments		(16,798,660)	(1,672,483)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(301,052,256)**	**(4,106,289)**
Cash outflow related to purchases of tangible assets		(30,679,157)	(9,470,311)
Cash outflow related to purchase of share of a subsidiaries		(294,432,360)	-
Proceeds related to sales of tangible and intangible assets		24,175,398	5,442,596
Cash out flow related to purchases of intangible assets		(116,137)	(78,574)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(84,016,500)**	**487,096,276**
Proceeds from borrowings		608,462,039	902,447,696
Repayment of borrowings		(700,720,249)	(372,117,972)
Interest paid		(5,127,961)	(47,924,133)
Interest income		13,369,671	4,690,685
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**(558,922,462)**	**493,940,759**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**903,870,179**	**267,240,480**
Curreny translation differences (net)		9,270,502	(4,982,338)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**354,218,219**	**756,198,901**

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

1. ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

The upper limit of registered share capital of the Company is TRY350,000,000 (31 December 2020: TRY200,000,000).

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

				Effective shareholding of the company	
Company	**Date of acquisition**	**Location of the operation**	**Principal Activities**	**31 March 2021**	**31 December 2020**
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12.10.2005	NCTR	Cement sales and marketing	99.99%	99.99%
CIMSAROM Marketing Distributie S.R.L. (Cimsarom) (*)	08.02.2006	Romania	Cement sales and marketing	100%	100%
Çimsa Cement Sales North GmbH (CSN) (**)	27.06.2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana) (**)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi (Çimsa Mersin) (*)	12.12.2007	Mersin	Cement export	100%	100%
Regent Place Limited (Regent) (**)	21.05.2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) (*)	16.07.2008	Russia	Cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl (**)	09.02.2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31.05.2012	Turkey	Cement production and sales	51%	51%
Cimsa Americas Cement Manufacturing and Sales Corporation (Cimsa Americas) (**)	07.07.2017	USA	Cement production and sales	100%	100%

(*) Full consolidation method has been applied.
(**) Note 16.

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

Cimsa Sabancı Cement BV ("CSC ") company established with 87.000.000 Euro capital in the Netherlands on 16 November 2020 with 40% participation of the Company and 60% participation of the Group's parent company Sabancı Holding A.Ş. Cimsa Sabancı Cement BV ("CSC") company is an affiliate of the Company and has been included in the consolidation by equity method with a share of 40% .

1. ORGANIZATION AND NATURE OF OPERATIONS (Continued)

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

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 4 May 2021. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The average number of blue collar employees (a union member) of the Group for the year ended 31 March 2021 is 618 (2020: 629) and white collar employees (not a union member) is 452 (2020: 509) and the number of employees working in subsidiaries located abroad is 54 (2020: 54).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation principles of financial statements

The accompanying consolidated financial statements have been prepared in accordance with the communiqué numbered II-14,1 'Communiqué on the Principles of Financial Reporting In Capital Markets' ('the Communiqué') announced by the Capital Markets Board ('CMB') (hereinafter will be referred to as 'the CMB Reporting Standards') on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ('POA').

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Going Concern

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

2.4 Offsetting

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

2.5 Changes in Accounting Policies, Estimates and Errors

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

2.6 Summary of Significant Accounting Policies

Basis of consolidation

As at 31 March 2021, 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.

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

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated balance sheet and statement of income.

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

Subsidiaries

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.

Associates

The associate of the Group, Exsa and Cimsa Sabancı Cement BV, 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 and Cimsa Sabancı Cement BV's financial statements are prepared for the same period and with respect to the same accounting policies.

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

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)

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. Sub-sequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amorti-zation and accumulated impairment losses.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

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

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

(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)

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.

Foreign currency transactions

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

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to profit or loss.

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

Date	**31 March 2021**	**31 December 2020**
US Dollar ('USD')/TRY	8.3260	7.3405
Euro ('EUR')/TRY	9.7741	9.0079
Rub ('RUB')/TRY	0.1092	0.0984
Ron ('RON')/TRY	1.9775	1.8373
Sterlin ('GBP')/TRY	11.4324	9.9438

(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 (Continued)

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

Date	2020	2019
USD/TRY	7.5897	6.1634
EUR/TRY	9.1490	6.8258
RUB/TRY	0.1004	0.0908
RON/TRY	1.8620	1.4134
GBP/TRY	10.4085	7.9003

Borrowing costs

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

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

Provisions, contingent assets and liabilities

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Income tax

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

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

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

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

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

Provisions for employee benefits/retirement pay provision

a. Defined benefit plan

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

b. 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.

c. Vacation rights

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

Leasing

Leasing acitivites - as lessee

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

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
d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

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.

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.

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) 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 Group reflects the remeasurement amount of the lease liability in the consolidated financial statements as an adjustment to the right-of-use asset.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

The right to use assets (Continued)

Extension and early termination options

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. The Company determines the rental period by including the extension and early termination options in the Company's initiative according to the relevant contract and if the options are reasonably accurate, it is included in the rental period. If the conditions change significantly, the assessment is reviewed by the Company. There is no extension or early termination option used by the Group as of 31 March 2021.

Exemptions and simplifications

Short term lease payments and payments for leases of low-value assets are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in the profit or loss in the related period.

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 venture,
(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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

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.

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 31.

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)

Financial assets

Classification and measurement

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets recognized at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non - current assets. The Group's financial assets carried at amortized cost comprise 'trade receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Financial assets at fair value through other comprehensive income

Assets in which the management adopts the business model of collecting contractual cash flows and/or selling, are classified as assets accounted for at fair value. If management does not intend to dispose of the related assets within 12 months from the balance sheet date, the said assets are classified as non-current assets. For the investments made in equity-based financial assets, the company makes an unchangeable choice as an equity investment reflected in other comprehensive income or in the statement of profit or loss of the fair value difference of the investment during the initial recognition.

Financial assets, whose fair value is reflected in other comprehensive income, include 'financial investments' items in the consolidated statement of financial position. In the event that assets of which fair value difference is recorded in other comprehensive income are sold, valuation difference classified into other comprehensive income is classified into previous years profits.

The generally accepted valuation methods used in the calculation of fair value in cases where the assets of which the fair value difference is recorded in other comprehensive income do not have any market value, include some assumptions based on the best estimates of the management, and the values that may occur in the event of purchase/sale transactions may differ from these values.

Impairment on financial assets

The Group chooses the simplified application for the impairment calculations and uses the provision matrix, since the trade receivables accounted from the amortized cost in the consolidated financial statements do not contain a significant financing component. With this application, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses when trade receivables are not impaired for certain reasons. In the calculation of expected credit losses, past experience of credit losses are taken into consideration, as well as the Group's forecast for the future.

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. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

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.

Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies the fixed asset (or the asset group to be disposed of) as for sale if the carrying amount of an asset or group of assets is to be recovered through the sale transaction rather than the continuing use. In order for this situation to be valid; the related asset should be in a condition that is frequently encountered in the sale of such assets and can be immediately sold under customary conditions and the sales probability should be high. The Group measures the non-current asset group classified as held for sale at the lower of its book value and fair value less costs to sell and presents the related asset under current assets since it predicts that the sale will occur within a highly probable year (Note 16). Depreciation process for tangible and intangible fixed assets within this asset group is stopped as of the relevant classification date. Discontinued operations related to the said asset group are presented in the period profit / loss, and the presented transactions and the corrections regarding these transactions are defined and classified as transactions that will not be in the financial statements after the sale transaction takes place.

2.7 Comparative Information

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Comparative Information (Continued)

As stated in the Group's PDP statements dated 1 October 2020 and 14 October 2020:

The Company and its main shareholder Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding), in line with the goal of becoming a leading player in the global white cement market and creating a more efficient and stronger platform for this by combining its operational and financial strengths, the transfer of the Company's white cement operations abroad to a company to be established in partnership with Sabancı Holding and it was decided that the said purchase will be made through this newly established subsidiary.

Within this framework it was announced to the public that it was decided to establish a new company named Cimsa Sabanci Cement BV (CSC BV), located in the Netherlands with a capital of 87,000,000 EUR with 40% participation of the Group and 60% participation of the Group's parent company Sabancı Holding A.Ş.

The establishment procedures of CSC BV have been completed and its official registration has been made by the Dutch Chamber of Commerce as of 16 November 2020, and its shares with a nominal value of EUR 34,800,000 representing 40% of its capital have been created on behalf of the Company.

As stated in the KAP statement dated 1 October 2020, It has been decided to sell all of the assets of the Group's subsidiaries that undertake white cement operations abroad, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North Gmbh and Cimsa Cementos Espana SAU, and 70% of Cimsa Adriatico SRL's shares that Çimsa owned to CSC BV to be established in the Netherlands. Subsidiaries of the Group, Cimsa Americas Cement Manufacturing and Sales Corporation, Cimsa Cement Sales North Gmbh and Cimsa Cementos Espana SAU, Cimsa Adriatico SRL, are classified as "Assets Classified as Held for Sale and Discontinued Operations as assets held for sale in accordance with the TFRS 5 Standard. In this context, 1 January - 31 March 2020 consolidated statement of profit or loss was restated.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Comparative Information (Continued)

Reconciliation of profit or loss statement for the period 1 January - 31 March 2020:	**(NotAudited) Prior period 1 January- 31 March 2020**	**Adjustment effect***	**Revised financial statements 1 January- 31 March 2020**
Revenue	411.677.716	(84.537.599)	327.140.117
Cost of sales (-)	(348.023.193)	82.995.234	(265.027.959)
GROSS PROFIT	**63.654.523**	**(1.542.365)**	**62.112.158**
General and administrative expense (-)	(47.712.936)	8.503.085	(39.209.851)
Marketing, selling and distribution expense (-)	(5.351.321)	475.763	(4.875.558)
Research and development expense (-)	(1.436.623)	-	(1.436.623)
Other operating income	74.040.356	(3.690.520)	70.349.836
Other operating expenses (-)	(45.685.320)	2.672.580	(43.012.740)
OPERATING PROFIT	**37.508.679**	**6.418.543**	**43.927.222**
Income from investment activities	3.889.134	-	3.889.134
Expense from investment activities (-)	-	-	-
Profit/(loss) from investments accounted by equity method	15.571.575	-	15.571.575
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	**56.969.388**	**6.418.543**	**63.387.931**
Financial income	4.690.685	(2.795)	4.687.890
Financial expenses (-)	(81.566.223)	4.367.620	(77.198.603)
Profit/(loss) from continuing operations before tax	**(19.906.150)**	**10.783.368**	**(9.122.782)**
Continuing operations tax (expense)/income	**6.148.102**	**(936.836)**	**5.211.266**
Current period tax expense	(1.811.020)	814.321	(996.699)
Deferred tax income/(expense)	7.959.122	(1.751.157)	6.207.965
Profit/(loss) for the period from continuing operations	**(13.758.047)**	**9.846.531**	**(3.911.516)**
Discontinued Operations Period (loss)/profit	**-**	(9.846.531)	**(9.846.531)**
Profit/(loss) for the period attributable to	**(13.758.047)**	**-**	**(13.758.047)**
- Non-controlling interests	(5.566.032)	-	(5.566.032)
- Equity holders of the parent	(8.192.015)	-	(8.192.015)
Earnings per share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	(0,0606)	-	(0,0606)
Earnings per share			
Earnings per share from discontinued operations (Nominal amount of 1 Kr)	-	(0,0729)	(0,0729)

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8 Additional Disclosures Regarding the Current Period

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

While preparing the consolidated financial statement dated 31 March 2021, the possible effects of the COVID-19 outbreak were evaluated, and the estimates and assumptions used in the preparation of the consolidated financial statement were reviewed. In this context, the Group tested possible impairments in the financial assets in the consolidated financial statements dated 31 March 2021, and no impairment was found.

2.9 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at 31 March 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a. ***New standards effective as of 31 March 2021 and amendments and interpretations on existing previous standards:***

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

a) the title of TAS / IFRS,
b) the change in accounting policy has been made in accordance with the relevant transitional provisions, if any,
c) an explanation of the change in accounting policy,
d) an explanation of the transitional provisions, if any,
e) the possible effects of the transitional provisions on future periods,
f) as far as possible, the amount of adjustments related to the current and each previous period presented,
i. be presented for each financial statement item affected; and
ii. if the "TAS 33, Earnings Per Share" standard is valid for the company, ordinary share and diluted earnings per share should be recalculated,
g) if possible, the amount of adjustment for periods before the periods not presented; and
h) if retrospective application is not possible for any period or periods, the events that led to this situation should be disclosed and the date and how the change in accounting policy was applied should be explained.

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,
ii) Clarify the explanation of the definition of material and
iii) Incorporate some of the guidance in IAS 1 about immaterial information.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.9 The New Standards, Amendments and Interpretations (Continued)

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7; Interest rate benchmark reform; effective from annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

b. ***Standards, amendments and interpretations that are issued but not effective as at 31 March 2021:***

Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

Amendments to IFRS 3, 'Business combinations'; update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.9 The New Standards, Amendments and Interpretations (Continued)

Amendments to IAS 16, 'Property, plant and equipment'; prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'; specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 ; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

2.10 Significant accounting judgments and estimates

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

b) In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor (Note 14).

(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 31 March 2021 and 31 December 2020 and revenue, expense and net profit for the periods ending 31 March 2021 and 31 December 2020 are as follows:

				31 March 2021		**31 December 2020**
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	417,333,664	32,9	394,562,223
CSC	Netherland	Cement production and sale	40,0	348,922,722	40,0	313,788,120
				766,256,386		**708,350,343**

Exsa	**31 March 2021**	**31 December 2020**
Assets	1,535,495,011	1,422,043,269
Liabilities	(266,039,000)	(221,854,000)
Net assets	1,269,456,011	1,200,189,269
Group's share	**417,333,664**	394,562,223

Exsa	**1 January-31 March 2021**	**1 January-31 March 2020**
Revenues	442,365,577	141,481,008
Expenses	(333,867,933)	(94,115,000)
Net profit for the period	108,497,644	47,366,008
Group's share in net profit	**35,668,600**	**15,571,575**

CSC	**31 March 2021**	**31 December 2020**
Assets	879,626,828	784,470,301
Liabilities	(7,320,023)	-
Net assets	872,306,805	784,470,301
Group's share	**348,922,722**	**313,788,120**

CSC	**1 January-31 March 2021**	**1 January-31 March 2020**
Revenues	21,078,487	-
Net profit for the period	21,078,487	-
Group's share in net profit	**8,431,395**	**-**

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

3. SHARES IN AFFILIATED UNDERTAKINGS (Continued)

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

	31 March 2021			
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	16,588,079	32,377,303	-

	31 December 2020			
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	8,361,392	24,015,911	-

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

Condensed balance sheet information

	31 March 2021	**31 December 2020**
Cash and cash equivalents	46,662,779	32,350,004
Other current assets	99,389,668	104,120,416
Non-current assets	562,695,240	569,124,217
Total assets	**708,747,687**	**705,594,637**
Short term borrowings	92,925,446	92,916,154
Other current liabilities	65,602,355	88,861,486
Long term borrowings	10,792,119	18,833,499
Other non-current liabilities	14,841,189	14,301,105
Total liabilities	**184,161,109**	**214,912,244**
Total equity	**524,586,578**	**490,682,393**

Condensed income statement information

	1 January-31 March 2021	**1 January-31 March 2020**
Revenue	81,276,205	43,598,273
Gross profit	9,625,075	(69,590)
Operating profit/(loss)	9,158,212	(69,590)
Net financial income/(expense)	(3,226,925)	(16,532,943)
Profit/(loss) before tax	33,468,866	(16,071,943)
Net profit for the period	**33,853,222**	**(11,967,781)**

Condensed cash flow information

	1 January-31 March 2021	**1 January-31 March 2020**
Cash flows from operating activities	(1,904,291)	12,586,445
Cash flows from investing activities	26,854,638	1,363,907
Cash flows from financing activities (excluding dividend)	(10,637,572)	(19,432,245)
Net increase/(decrease) in cash and cash equivalents	**14,312,775**	**(5,481,893)**

4. SEGMENT REPORTING

Since the majority of the export sales of the Group are to the different geographic regions as one-off basis, the distribution of sales to specific locations is not consistent between years. Therefore, the details of sales are disclosed as domestic and export sales.

The Group manages and organizes its operations depending on the content of the services and goods provided. The Group prepares its segment reporting in accordance with IFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the periods ended 31 March 2021 and 31 March 2020, the information about the Group's segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete; segment assets and liabilities as of 31 March 2021 and 31 December 2020.

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

4. SEGMENT REPORTING (Continued)

1 January - 31 March 2021	Cement	Ready-mix concrete	Total
Sales	572,236,851	67,031,906	639,268,757
Cost of sales (-)	(438,946,217)	(61,861,765)	(500,807,982)
Gross profit/(loss)	133,290,634	5,170,141	138,460,775
General administrative,marketing selling distribution expenses (-)	(29,080,733)	(4,684,309)	(33,765,042)
Other operating income/(expenses) (-), net	50,989,345	78,812	51,068,157
Research and development expenses (-)	(1,330,694)	-	(1,330,694)
Operating profit/(loss)	153,868,552	564,644	154,433,196
Income from investment activities, net	23,930,699	-	23,930,699
Profit/(loss) from investments accounted by equity method	44,099,995	-	44,099,995
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	221,899,246	564,644	222,463,890
Financial income/(expense), net	(23,362,813)	-	(23,362,813)
Profit/(loss) from continuing operations before tax	198,536,433	564,644	199,101,077
Continuing operations tax (expense)/income	(24,654,497)	-	(24,654,497)
Current period tax expense (-)	(13,721,361)	-	(13,721,361)
Deferred tax income/(expense)	(10,933,136)	-	(10,933,136)
Profit/(loss) for the period from continuing operations	173,881,936	564,644	174,446,580
Discontinued Operations Period (loss)/profit	(225,708)	-	(225,708)

1 January - 31 March 2020	Cement	Ready-mix concrete	Total
Sales	282,798,853	44,341,264	327,140,117
Cost of sales (-)	(219,772,332)	(45,255,627)	(265,027,959)
Gross profit/(loss)	63,026,521	(914,363)	62,112,158
General administrative,marketing selling distribution expenses (-)	(41,034,856)	(3,050,553)	(44,085,409)
Other operating income/(expenses) (-), net	27,127,712	209,384	27,337,096
Research and development expenses (-)	(1,436,623)	-	(1,436,623)
Operating profit/(loss)	47,682,754	(3,755,532)	43,927,222
Income from investment activities, net	3,889,134	-	3,889,134
Profit/(loss) from investments accounted by equity method	15,571,575	-	15,571,575
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	67,143,464	(3,755,533)	63,387,931
Financial income/(expense), net	(72,510,713)	-	(72,510,713)
Profit/(loss) from continuing operations before tax	(5,367,249)	(3,755,533)	(9,122,782)
Continuing operations tax (expense)/income	5,211,266	-	5,211,266
Current period tax expense (-)	(996,699)	-	(996,699)
Deferred tax income/(expense)	6,207,965	-	6,207,965
Profit/(loss) for the period from continuing operations	(155,983)	(3,755,533)	(3,911,516)
Discontinued Operations Period (loss)/profit	(9,846,531)	-	(9,846,531)

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

4. SEGMENT REPORTING (Continued)

31 March 2021	Cement	Ready-mix concrete	Undistributed	Total
Segment assets	2,731,781,609	140,233,427	-	2,872,015,036
Financial assets at fair value through other comprehensive income	-	-	64,478	64,478
Investments accounted under equity method	-	-	766,256,386	766,256,386
Undistributed assets	-	-	139,083,209	139,083,209
Assets directly associated with assets classifed as held for sale	1,050,052,394	-	-	1,050,052,394
Total assets	**3,781,834,003**	**140,233,427**	**905,404,073**	**4,827,471,503**
Segment liabilities	2,144,701,107	34,098,344	-	2,178,799,451
Undistributed liabilities	-	-	1,986,361,708	1,986,361,708
Liabilities directly associated with assets classified as held for sale	662,310,344	-	-	662,310,344
Total liabilites	**2,807,011,451**	**34,098,344**	**1,986,361,708**	**4,827,471,503**

31 December 2020	Cement	Ready-mix concrete	Undistributed	Total
Segment assets	3,204,915,469	155,752,832	-	3,360,668,301
Financial assets at fair value through other comprehensive income	-	-	64,478	64,478
Investments accounted under equity method	-	-	708,350,343	708,350,343
Undistributed assets	-	-	137,200,980	137,200,980
Assets directly associated with assets classifed as held for sale	922,898,311	-	-	922,898,311
Total assets	**4,127,813,780**	**155,752,832**	**845,615,801**	**5,129,182,413**
Segment liabilities	2,681,005,447	65,135,566	-	2,746,141,013
Undistributed liabilities	-	-	1,838,844,336	1,838,844,336
Liabilities directly associated with assets classified as held for sale	544,197,064	-	-	544,197,064
Total liabilites	**3,225,202,511**	**65,135,566**	**1,838,844,336**	**5,129,182,413**

The Group does not have a single customer that accounts for 10% or more of its total sales.

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

5. CASH AND CASH EQUIVALENTS

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

	31 March 2021	31 December 2020
Cash	2,549	2,408
Cash at banks	355,067,124	903,959,344
Demand deposits	*17,885,785*	*4,985,091*
Time deposits with maturity of less than 3 months	*337,181,339*	*898,974,253*
	355,069,673	**903,961,752**
Blocked deposits (-)	(851,454)	(91,573)
Cash and cash equivalents in consolidated cash flow statement	**354,218,219**	**903,870,179**

The detail of bank deposits is stated below:

	31 March 2021	31 December 2020
Turkish Lira	205,417,406	402,513,602
Euro	58,804,610	395,631,908
US Dollar	88,785,042	104,551,319
British Pound	855,000	359,751
Other	1,205,066	902,764
	355,067,124	**903,959,344**

Time deposits as of 31 March 2021 and 31 December 2020 are denominated in TRY, EUR, and USD with the maturity of less than three months. As of 31 March 2021, effective weighted average interest rate on time deposits is 18.25% for TRY, 0.30% for USD, and 0.12% for EUR (31 December 2020 TRY: 17.57%, USD 0.08% and EUR 0.07%). The blocked deposit amount is TRY851,454 as of 31 March 2021 (The blocked deposit amount is TRY91,573 as of 31 December 2020).

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

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

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

Short-term trade receivables	31 March 2021	31 December 2020
Trade receivables	304,202,437	265,603,026
Notes receivable	65,958,053	72,294,920
Due from related parties (Note 29)	2,246,772	685,287
Allowance for doubtful receivables (-)	(15,409,260)	(15,409,260)
Less: Provision for expected credit losses	(1,408,758)	(1,408,758)
	355,589,244	**321,765,215**

Collection terms of trade receivables', notes receivables' and checks' vary based on the type of the product and agreements made with the customers and the average term is 69 days (31 December 2020 - 77 days). Effective interest rates used when determining the amortized cost are 12.11% for TRY, 2.5% for USD and 1.96% for EUR (31 December 2020 - TRY: 12.43%, USD: 2.50%, EUR: 1.38%).

The movement of the provision for doubtful receivables for the periods ended 31 March 2021 and 31 March 2020 is as follows:

Movements of allowance for doubtful receivables	1 January-31 March 2021	1 January-31 March 2020
Opening balance	15,409,260	16,043,739
Provisions during the period (Note 25)	-	8,000
Currency translation difference	-	308,053
Closing balance	**15,409,260**	**16,359,792**

b. Trade Payables

Short-term trade payables	31 March 2021	31 December 2020
Trade payables	370,590,911	475,424,068
Trade payables to related parties (Note 29)	65,501,743	96,973,610
	436,092,654	**572,397,678**

The average payment period of trade payables is 82 days (31 December 2020: 91 days). Effective interest rates used when determining the amortized cost are 12.11% for TRY, 2.5% for USD and 1.96% for EUR (31 December 2020 - TRY: 12.43%, USD: 2.5%, EUR 1.38%).

(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	31 March 2021	31 December 2020
Short-term borrowings	877,296,198	960,596,381
Current portion of long-term borrowings	69,749,429	181,271,407
Short-term financial liabilities	21,458,808	12,755,410
Short-term issued bonds	12,638,078	151,297,334
	981,142,513	**1,305,920,532**
Long-term borrowings	384,640,189	229,509,051
Long-term financial liabilities	15,791,427	25,472,916
Long-term issued bonds	88,136,548	-
	488,568,164	**254,981,967**
Total borrowings	**1,469,710,677**	**1,560,902,499**
Financial borrowings except IFRS 16	**1,432,460,442**	**1,522,674,173**

* Financial borrowings of subsidiaries classified as held for sale amounting to TL 615,106,266, classified to liabilities directly associated with assets classified as held for sale. (Note 16)(2020: TL 492,056,457)

The details of the borrowings as of 31 March 2021 are as follows:

Secured/ Unsecured	Interest Type	Currency Type	Weighted Average Interest Rate (%)	Original Balance	Short-Term	Long-Term	31 March 2021
Secured	Fixed	EUR	1.19%	34,800,000	340,138,680	-	340,138,680
Unsecured	Fixed(**)	EUR	1.57%	32,980,466	132,214,153	190,140,223	322,354,376
Unsecured	Fixed	USD	2.50%	6,150,230	51,206,817	-	51,206,817
Unsecured	Fixed	TRY	11.43%	718,760,569	436,124,055	282,636,514	718,760,569
					959,683,705	**472,776,737**	**1,432,460,442**

(**) Çimsa has made interest rate swap transaction in order to its cash flow risk for the long term loan of EUR12,941,178 with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

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

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

(***) Çimsa has made interest rate swap transaction in order to its cash flow risk for the long term loan of EUR16,176,472 with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

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

7. FINANCIAL BORROWINGS (Continued)

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

	31 March 2021	31 December 2020
To be paid within 1 year	959,683,704	1,293,165,121
To be paid between 1-2 years	461,984,619	122,418,452
To be paid between 2-3 years	10,792,119	107,090,600
	1,432,460,442	**1,522,674,173**

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

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

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

Short-term other receivables from third parties	31 March 2021	31 December 2020
Other miscellaneous receivables	1,613,071	2,864,292
Due from personnel	69,747	93,568
Provision for doubtful other receivables (-)	(764,354)	(764,354)
	918,464	**2,193,506**

Short-term other receivables	31 March 2021	31 December 2020
Short-term other receivables from related parties (Note 29)	240,750	296,267
	240,750	**296,267**

Long-term other receivables	31 March 2021	31 December 2020
Deposits and guarantees given	4,930,002	6,398,102
	4,930,002	**6,398,102**

b. Other Payables

Short-term other payables	31 March 2021	31 December 2020
Other payables to related parties (Note 29)	12,516,437	315,454,117
Taxes and funds payable	9,300,331	13,007,641
Deposits and guarantees received	8,508,903	9,389,184
	30,325,671	**337,850,942**

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

9. INVENTORIES

Inventories	31 March 2021	31 December 2020
Raw Materials	162,142,182	127,645,075
Work-in progress	89,963,570	53,678,611
Finished goods	14,958,862	19,093,458
Other inventories	23,006,072	34,988,039
Goods in transit	17,556	3,746,957
Inventory impairment provision (-)	(10,845,757)	(10,498,878)
	279,242,485	**228,653,262**

Inventory impairment provision movement

Inventory impairment provision movement	31 March 2021	31 March 2020
Opening balance	10,498,878	6,329,931
Provisions during the period (Note 23)	346,879	392,134
Currency translation differences	-	43,175
Closing balance	**10,845,757**	**6,765,240**

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

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

Short-term prepaid expenses	31 March 2021	31 December 2020
Advances given to suppliers (*)	31,994,060	57,126,679
Prepaid expenses	11,296,613	2,031,644
	43,290,673	**59,158,323**

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

Long-term prepaid expenses	31 March 2021	31 December 2020
Advances given for the purchase of fixed assets	2,082,822	2,209,801
Prepaid expenses	713,787	857,259
	2,796,609	**3,067,060**

b. Defered Income

Short-term deferred income	31 March 2021	31 December 2020
Advanced received	18,086,022	11,301,698
	18,086,022	**11,301,698**

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

11. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased for the period ending as of 31 March 2021 is TRY30,428,188 (31 March 2020: TRY9,548,885).

The net book value of tangible and intangible assets sold for the period ending as of 31 March 2021 is TRY195,153 (31 March 2020: TRY1,553,462).

For the period ending as of 31 March 2021 cost of goods sold contain depreciation and amortisation expenses of TRY28,841,464 (31 March 2020: TRY27,183,123), general and administrative expenses contain depreciation and amortisation expenses of TRY1,301,890 (31 March 2020: TRY1,815,177) and sales and distribution expenses contain depreciation and amortisation expenses of TRY50,678 (31 March 2020: TRY54,133) and research and development expenses contain depreciation and amortisation expenses of TRY24,941 (31 March 2020: TRY25,237)

As of 31 March 2021, the Group has pledges or/and mortgages on its assets amounting to TRY17,718,488 (31 December 2020: TRY16,329,521).

As of 31 March 2021, there is no capitalized financing expenses (31 March 2020: None).

12. NON-CURRENT ASSETS HELD FOR SALE

Portion of TRY2,871,419 has been classified as non-current assets held for sale (31 December 2020: TRY8,522,648).

	31 March 2021	**31 December 2020**
Opening balance	8,522,648	11,865,457
Sales	(5,651,229)	(3,342,809)
Total	**2,871,419**	**8,522,648**

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

13. RIGHT OF USE ASSETS

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

Right of use assets	**1 January 2021**	**Additions**	**Classification**	**Depreciation for the period**	**31 March 2021**
Buildings	13,786,632	-	-	(1,378,555)	12,408,077
Vehicles	10,948,911	-	-	(1,236,903)	9,712,008
Other	144,448	-	-	(12,612)	131,836
	24,879,991	**-**	**-**	**(2,628,070)**	**22,251,921**

The depreciation expense of TRY445,005 for the period ending on 31 March 2021 of the right of use assets has been included in the cost of the goods sold and the part of TRY2,183,065 has been included in the general administrative expense .

Right of use assets	**1 January 2020**	**Additions**	**Classification**	**Depreciation for the period**	**31 March 2020**
Buildings	36,908,514	-	-	(1,843,676)	35,064,838
Vehicles	839,775	11,122,230	342,713	(1,944,250)	10,360,468
Other	2,633,007	-	(342,713)	(55,550)	2,234,744
	40,381,296	**11,122,230**	-	**(3,843,476)**	**47,660,050**

The depreciation expense of TRY1,922,165 for the period ending on 31 March 2020 of the right of use assets has been included in the cost of the goods sold and the part of TRY1,921,311 has been included in the general administrative expense.

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

14. GOODWILL

The goodwill amount presented in the Group's financial statements as of 31 March 2021 is related to Eskişehir and Ankara Cement Factories ('Standart Çimento') acquired in 2005, Çimsa Cement located in TRNC, Bilecik Ready Mix Cement Facilities acquired in 2008, Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012 and Cırgalan Ready-Mixed Concrete Facility acquired in 2018. The movement of goodwill for the periods ending 31 March 2021 and 31 December 2020 is stated below:

31 March 2021	**Opening**	**Impairment**	**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**

31 December 2020	**Opening**	**Impairment**	**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**

Goodwill amounts associated with cash generating units are subjected to an impairment determination study once a year or more frequently in December when the circumstances indicate impairment. The recoverable value of the cash-generating units has been determined on the basis of value in use or fair value less cost to sell. The recoverable value was determined according to the fair value calculations made according to the discounted cash flow analysis. These calculations include cash flow projections on a TL basis and are based on ten-year plans between 1 January 2021 and 31 December 2030. For the cash flow estimation, 17.20% weighted average cost of capital and cost and sales price increases in line with macroeconomic and market assumptions were taken into account. As a result of these impairment tests, the recoverable value of the goodwill was determined on the registered value as a result of the examination as of 31 December 2020, and no impairment was found.

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

These generally accepted valuation techniques are based on the changing EBITDA / net sales ratio on the basis of cash generating unit with a growth rate of 6% - 8% on the basis of each cash-generating unit and it is extremely sensitive to changes in the Weighted Average Cost of Capital values accepted as 17% (2019:16%). While the EBITDA / Net Sales ratio is in line with the budgets prepared by the Group management on a cash-generating unit basis for 2021 and beyond, the Weighted Average Cost of Capital ratio depends on some macroeconomic and cement sector-specific variables. When calculating the estimated recoverable amount, when the discount rate is increased by 1 point from the values used in the assumptions by keeping the other variables constant, or in the same way, when the growth rate is reduced by 1 point from the values used in the assumptions by keeping the other variables constant, the recoverable amount of the cash generating unit does not fall below the book value.

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

15. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

Short-term provisions	31 March 2021	31 December 2020
Provision for litigations	27,078,103	25,669,833
Other provisions	24,757,547	11,718,152
	51,835,650	**37,387,985**

The movement of "Provision for the litigations" as of 31 March 2021 and 31 March 2020 is stated below:

Provision for the litigation movement	31 March 2021	31 March 2020
Opening balance	25,669,833	20,028,140
Additional provision (Note 24)	1,408,270	832,856
Provision no longer required (-) (Note 24)	-	(141,826)
Closing balance	**27,078,103**	**20,719,170**

As of 31 March 2021, the Group has provided provision amounting to TRY27,078,103 for the risky cases against the Company with the opinion obtained from the Company's legal counsels (31 December 2020: TRY25,669,833).

b. Long-Term Provisions

Long-term provisions	31 March 2021	31 December 2020
Long-term employee benefits	51,513,520	48,258,745
Other long term provisions	4,611,194	4,454,937
	56,124,714	**52,713,682**

Other long term provisions	31 March 2021	31 December 2020
Recultivation provision	4,611,194	4,454,937
	4,611,194	**4,454,937**

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TRY4,611,194 under "Other Long Term Provisions" as of 31 March 2021 (31 December 2020: TRY4,454,937).

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

15. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movement of recultivation provision as of 31 March 2021 and 31 March 2020 is as follows:

Recultivation provision movement	31 March 2021	31 March 2020
Opening balance	4,454,937	4,209,071
Additional provision (Note 24)	156,257	262,600
Provision no longer required (-) (Note 24)	-	(499,373)
Closing balance	**4,611,194**	**3,972,298**

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

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

Assets directly associated with assets classified as held for sale	**31 March 2021**	**31 December 2020**
Cash and cash equivalents	39,402,307	37,279,072
Trade receivables	232,269,821	183,829,218
Inventories	107,563,452	93,187,110
Other current assets	12,705,342	12,502,851
Current Assets	**391,940,922**	**326,798,251**
Tangible and intangible assets	603,992,759	545,534,443
Right of use assets	42,502,875	40,422,324
Other non-current assets	11,615,838	10,143,293
Non-current assets	**658,111,472**	**596,100,060**
Total assets	**1,050,052,394**	**922,898,311**

Liabilities directly associated with assets classified as held for sale	**31 March 2021**	**31 December 2020**
Financial borrowings	521,151,021	406,185,531
Trade payables	31,171,816	34,516,144
Other short-term liabilities	13,753,699	15,751,125
Short-term liabilities	**566,076,536**	**456,452,800**
Financial borrowings	93,955,245	85,870,926
Other long-term liabilities	2,278,563	1,873,337
Long-term liabilities	**96,233,808**	**87,744,263**
Total liabilities	**662,310,344**	**544,197,063**

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

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

"Assets related to asset groups classified for sale" and "Liabilities related to asset groups classified for sale" in the financial statements also includes the amounts arising from consolidation effects of intra-group transactions within the scope of TFRS 5 " Fixed Assets Held for Sale and Discontinued Operations ".

Net asset value of the related subsidiaries and the profit or loss that will occur during the share transfer will differ as a result of the impact of consolidation adjustments.

Discontinued Operations Period Summary (Loss) / Profit	**1 January-31 March 2021**	**1 January-31 March 2020**
Net sales income	86,382,692	84,537,600
Gross profit	16,655,361	1,542,367
Operating profit/loss	4,242,918	(6,415,747)
Net financial income/expense	(3,920,289)	(4,367,620)
Profit/loss before tax	**322,629**	**(10,783,367)**
Tax income/expense	(548,337)	936,836
Discontinued Operations Period (Loss) / Profit	**(225,708)**	**(9,846,531)**

Cash Flow Statement Regarding Discontinued Operations	**1 January-31 March 2021**	**1 January-31 March 2020**
Cash flow from operating activities	1,381,415	(6,665,544)
Cash flow from investing activities	(317,560)	(1,424,702)
Cash flows from financing activities (excluding dividends)	1,059,380	8,046,372
Net increase/decrease in cash and cash equivalents	**2,123,235**	**(43,874)**

Assets meeting the criteria to be classified as held for sale in accordance with the measurement provisions of the Group's TFRS 5; book values and costs to be incurred for sale are measured with the lower of their fair value and depreciation process is stopped on the said assets. The Group has evaluated each foreign subsidiary established for this purpose as a single cash generating unit ("CGU") and used discounted cash flow method on a CGU basis. The said assets and liabilities are moved from their book value. The valuation technique applied depends on the following assumptions:

- These generally accepted valuation techniques are extremely sensitive to the growth rate and changes in the Weighted Average Cost of Capital values, although they vary on the basis of countries.

- While the growth rate is both dependent on macroeconomic variables and in line with the budgets prepared by the Group for 2021 and beyond on each cash-generating unit basis, the Weighted Average Cost of Capital ratio depends on some macroeconomic and cement sector-specific variables.

- The growth rates used in the applied valuation technique vary by country, but are between 1.0% and 2.0%, and the discount rates used for these terminals are between 5.5% and 8.3%.

- The fair value of the relevant terminals, when the discount rate is changed by + 0.5% by keeping other variables constant and the costs to be incurred for the sale of cash-generating units are deducted, does not fall below the carried total values of the related subsidiaries.

- When the final Growth Rate of the relevant terminals is changed by -0.5% by keeping the other variables constant, and the fair value of the cash-generating units deducted the costs to be incurred for the sale of the cash-generating units, does not fall below the total carried values of the said subsidiaries.

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

17. COMMITMENTS

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

		31 March 2021		31 December 2020	
	Currency	Original	TRY Amount	Original	TRY Amount
Guarantee letter received	TRY	565,316,791	565,316,791	550,405,108	550,405,108
Guarantee letter received	USD	35,584,985	296,280,589	34,069,985	250,090,728
Guarantee letter received	EUR	13,107,159	128,110,686	14,631,689	131,800,794
Guarantee letter received	Other	26,000	26,000	26,000	26,000
Mortgages received	TRY	28,821,023	28,821,023	29,121,423	29,121,423
Mortgages received	EUR	-	-	-	-
Mortgages received	RUB	42,232,560	4,610,951	42,232,560	4,157,373
Checks and notes received	TRY	21,152,262	21,152,262	21,252,262	21,252,262
Checks and notes received	EUR	-	-	-	-
Checks and notes received	USD	47,300	393,820	47,300	347,206
Pledge	TRY	18,587,064	18,587,064	18,431,248	18,431,248
Total CPM received			**1,063,299,186**		**1,005,632,142**

The Group's collaterals, pledges and mortgages amounting to TL 7,324,621 regarding the asset groups classified as held for sale are not included as of 31 March 2021 (31 December 2020: TL 6,750,438).

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

		31 March 2021		31 December 2020	
	Currency	Original	TRY Amount	Original	TRY Amount
A. Total CPM given for the Cornpany's own legal cntity	TRY	89,622,954	89,622,954	83,383,642	83,383,642
	USD	639,760	5,326,640	592,460	4,348,951
	EUR	1,266,704	12,380,895	1,385,468	12,480,155
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 operations		-	-	-	-
D. Other CPM given		-	-	-	-
i. Total CPM given in favour of parent entity		-	-	-	-
ii. Total CPM given in favour of other Group cornpanies not of scope of clause B and C		-	-	-	-
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			107,330,489		**100,212,748**

The Group's guarantees, pledges and mortgages amounting to TL 17,718,488 regarding the asset groups classified as held for sale are not included in the guarantees given as of 31 March 2021 (31 December 2020: TL16,329,521).

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

18. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	31 March 2021	31 December 2020
Social security payables	5,167,238	4,645,486
Wage accrual and income tax withholding payable to personnel	4,377,326	3,939,499
	9,544,564	**8,584,985**

b. Long-Term Employee Benefits

	31 March 2021	31 December 2020
Retirement pay provision	44,121,640	42,295,557
Provision for unpaid vacation liability	5,369,709	4,308,223
Seniority provision	2,022,171	1,654,965
	51,513,520	**48,258,745**

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

Such payments are calculated on the basis of one month's pay limited to a maximum of full TRY7,638.96 as of 31 March 2021 (31 December 2020: full TRY7,117.17).

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

	31 March 2021	31 December 2020
Discount rate, net	%4.34	%4.34

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

18. EMPLOYEE BENEFITS (Continued)

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

	1 January- 31 March 2021	1 January- 31 March 2020
Opening balance	4,308,223	4,797,633
Additional provision	1,266,569	768,581
Provision paid during the period	(205,083)	(144,749)
Currency translation difference	-	20,281
Closing balance	**5,369,709**	**5,441,746**

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

	1 January- 31 March 2021	1 January- 31 March 2020
Opening balance	1,654,965	1,413,371
Additional provision	565,302	504,383
Provision paid during the period	(198,096)	(365,930)
Closing balance	**2,022,171**	**1,551,824**

19. OTHER ASSETS AND LIABILITIES

a. Other Assets

Other current assets	31 March 2021	31 December 2020
Deferred VAT [1]	50,435,837	57,141,042
Job and personnel advances	1,118,027	571,666
Other current assets	14,659,616	8,951,010
	66,213,480	**66,663,718**

Other non-current assets	31 March 2021	31 December 2020
Deferred VAT [1]	17,878,597	17,724,782
Export VAT [2]	2,709,373	1,049,585
Other non- current assets	-	2,115
	20,587,970	**18,776,482**

(1) According to the estimates of the Group, the portion to be deducted from the VAT payables to be paid within one year is reclassified to other current assets.
(2) According to the Group's estimations, the portion of the transferred VAT of Afyon Çimento T.A.Ş which will be deducted over a year is classified as long term. (31 December 2020: TRY17,724,782).
(3) According to VAT Law no 11/c, the VAT amount regarding to the goods which are rendered to export dealers by manufacturers is not collected, and are recorded to export VAT and deferred VAT accounts. Uncollected VAT is declared on related VAT declaration; accrued VAT is deferred and recorded to deferred VAT accounts. After verification of the realization of export, tax administration makes cancellation for the deferred VAT.

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

19. OTHER ASSETS AND LIABILITIES (Continued)

b. Other Liabilities

	31 March 2021	31 December 2020
Other short term liabilities (*)	5,152,484	61,052,734
	5,152,484	**61,052,734**

(*) Other short term liabilities mainly related with petrocoke purchases.

20. EQUITY, RESERVES AND OTHER EQUITY ITEMS

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

	31 March 2021		31 December 2020	
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 35.86% as of 31 March 2021 (31 December 2020: 35.86%).

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

In line with the decision of the Board of Directors dated January 27, 2021, the registered capital ceiling validity period of the Company is extended to cover the years 2021-2025; Changes planned to be made in Articles 6 and 9 of the Company's Articles of Association in order to increase the registered capital ceiling of 200,000,000.-TL to 350,000,000.-TL and to enable the meeting of the Board of Directors to be held electronically have been accepted at the board meeting dated March 23,2021. Issued General Assembly resolution was registered on April 21,2021 and published in the Trade Registry Gazette numbered 10314 with the same date.

Retained earnings and accumulated profit/loss

Legal reserves

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

20. 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's subsidiaries and joint ventures in foreign countries are translated to Turkish Lira with respect to the exchange rates on the balance sheet date. Income and expense items are translated via the average exchange rates. The differences emerged as a result of using the closing and average exchange rates are accounted for as foreign currency translation differences in the comprehensive statement of income.

Non-controlling interests

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

Available for sales financial assets revaluation reserve

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2021			31 December 2020		
		Fair Value			Fair Value	
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Hedging against impaired risk						
Forward foreign exchange transactions	126,488,348	-	53,399,148	116,572,837	-	42,587,972
Marketable securities						
Forward foreign exchange transactions	126,488,348	53,399,024	-	116,572,837	42,587,851	-
Total short-term derivative instruments		**53,399,024**	**53,399,148**		**42,587,851**	**42,587,972**
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	126,488,387	573,741	-	145,716,060	(333,099)	1,262,945
Hedging against cash flow risk						
Forward foreign exchange transactions	-	-	-	29,143,223	-	11,240,796
Marketable securities						
Forward foreign exchange transactions	-	-	-	29,143,223	11,240,796	-
Total long-term derivative instruments		**573,741**	**-**		**10,907,697**	**12,503,741**
Total derivative financial instruments		**53,972,765**	**53,399,148**		**53,495,548**	**55,091,713**

As of 31 March 2021, the Group has realized 12.9 million sell Euro buy Turkish Lira forward transaction with maturity of 4 years expired on 29 March 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

As of 31 March 2021, the Group has realized 12.9 million Euro nominal value sell Turkish lira buy Euro forward transaction with maturity of 4 years expired on 29 March 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit and loss.

As of 31 March 2021, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of 12.9 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.)

22. REVENUE

Revenue	1 January – 31 March 2021	1 January – 31 March 2020
Domestic sales	307,593,573	181,453,449
Export sales	412,940,271	216,259,477
Sales discounts (-)	(13,297,977)	(3,470,324)
Other deductions (-)	(67,967,110)	(67,102,485)
	639,268,757	**327,140,117**
Cost of sales (-) (Note 23)	**(500,807,982)**	**(265,027,959)**
Gross profit	**138,460,775**	**62,112,158**

23. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January - 31 March 2021 and 2020 is as follows:

Cost of sales (-)

	1 January – 31 March 2021	1 January – 31 March 2020
Energy costs	(228,973,654)	(127,527,463)
Direct material and supplies expenses	(54,271,915)	(50,050,996)
Depreciation and amortization expenses	(29,286,469)	(29,105,289)
Labor expenses	(28,798,672)	(20,918,429)
Other production expenses	(182,299,421)	(111,281,217)
Total production cost	**(523,630,131)**	**(338,883,394)**
Change in work- in process	36,284,959	39,846,721
Change in finished goods	(4,134,596)	8,356,096
Inventory impairment provision (Note 9)	(346,879)	(392,134)
Cost of trade goods sold and other	(8,981,335)	26,044,752
	(500,807,982)	**(265,027,959)**

The detail of general administration expenses for the periods between 1 January - 31 March 2021 and 2020 is as follows:

General adm. expenses	1 January – 31 March 2021	1 January – 31 March 2020
Personnel expenses	(17,008,591)	(15,004,040)
Depreciation and amortization expenses	(3,484,954)	(3,111,079)
Consultancy expenses	(2,370,407)	(11,110,479)
IT Expenses	(1,897,627)	(1,469,190)
Tax, duty and charges	(1,291,384)	(1,160,921)
Rent expenses	(610,208)	(998,987)
Insurance expenses	(538,141)	(318,849)
Communication and publicity expenses	(367,606)	(205,511)
Travel expenses	(124,332)	(1,195,889)
Representation expenses	(82,518)	(114,808)
Maintenance expenses	(41,374)	(143,400)
Other miscellaneous expenses	(2,686,821)	(4,376,698)
	(30,503,963)	**(39,209,851)**

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

23. OPERATING EXPENSES BY NATURE (Continued)

The detail of marketing, selling and distribution expense for the periods between 1 January - 31 March 2021 and 2020 is as follows:

Marketing, selling and distribution	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Personnel expenses	(2,036,386)	(2,672,887)
Travel expenses	(289,512)	(282,307)
Rent expenses	(269,653)	(198,179)
Consultancy expenses	(134,104)	(46,983)
Depreciation and amortization expenses	(50,678)	(54,133)
Insurance expenses	(26,963)	(33,481)
Representation expenses	(11,518)	(320,241)
Communication and publicity expenses	(10,856)	(12,793)
Other miscellaneous expenses	(431,409)	(1,254,554)
	(3,261,079)	**(4,875,558)**

The detail of research and development expense for the periods between 1 January - 31 March 2021 and 2020 is as follows:

Research and development expenses	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Personnel expenses	(1,037,794)	(833,249)
Raw material expenses	(147,113)	(188,994)
Outsourced benefits and services	(82,439)	(195,781)
Depreciation and amortization	(24,941)	(25,237)
Maintenance expenses	(5,777)	(43,140)
Travel expenses	(2,228)	(32,799)
Rent expenses	(161)	(19,323)
Other miscellaneous expenses	(30,241)	(98,100)
	(1,330,694)	**(1,436,623)**

24. OTHER OPERATING INCOME AND EXPENSES

Other operating income	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Foreign exchange gain from operating activities	82,863,735	67,565,267
Overdue and interest income from operating activities	2,991,690	337,992
Sales of scrap and miscellaneous material	1,240,280	-
Provisions no longer required (Note 6/15)	-	641,199
Insurance damage compensation income	-	460,888
Other income	10,432,872	1,344,490
	97,528,577	**70,349,836**

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

24. OTHER OPERATING INCOME AND EXPENSES (Continued)

Other operating expense	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Foreign exchange loss from operating activities	(43,036,925)	(40,583,465)
Provision expenses (Note 6/15)	(1,564,527)	(1,103,456)
Interest expense of retirement pay provision	(757,343)	(370,486)
Compensation and penalty expenses	(661,643)	-
Litigation, levy and court paid expenses	(35,448)	(45,384)
Donations and grants	(9,450)	(441,664)
Other expenses	(395,084)	(468,285)
	(46,460,420)	**(43,012,740)**

25. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Fixed assets sales income (*)	23,930,699	3,889,134
	23,930,699	**3,889,134**

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

26. FINANCIAL INCOME/EXPENSE

Financial income	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Interest income	13,366,442	4,687,890
Total financial income	**13,366,442**	**4,687,890**

Financial expenses	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Interest expenses of bank borrowings	(26,465,462)	(37,824,593)
Foreign exchange loss on bank borrowings	(7,317,003)	(38,348,030)
Other financial expenses	(2,946,790)	(1,025,980)
Total financial expense	**(36,729,255)**	**(77,198,603)**

27. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the month following the balance sheet date and taxes must be paid by the end of the fourth month

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

27. INCOME TAXES (Continued)

Companies calculate advance tax at a rate of 20% (25% for the taxation period of 2021 and 23% for the taxation period of 2022) over their quarterly financial profits, and they declare it until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. However, since the increase in the corporate tax rate made by Law No. 7316 takes effect starting from the declarations to be submitted as of July 1, 2021, the temporary tax rate for the earnings obtained in the first temporary taxation period of 2021 will be 20%.. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of 31 March 2021 and 31 December 2020 current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statement.

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

The tax review initiated by the Ministry of Treasury and Finance Tax Inspection Board İstanbul Büyük Ölçekli Mükellefler Group Presidency in 2020 is still continues.

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

	31 March 2021	31 December 2020
2023	7,221,399	27,008,824
2024	87,942,282	87,942,282
2025	38,691,579	35,768,987
Total	**133,855,260**	**150,720,093**

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

27. INCOME TAXES (Continued)

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

Distribution of tax expenses are as follows:

Assets related to the current period taxes	**31 March 2021**	**31 December 2020**
Assets related to the current period taxes	383,945	200,717
	383,945	**200,717**

Corporate tax payable	**31 March 2021**	**31 December 2020**
Current period corporate tax provision	(13,721,361)	(38,264,348)
Prepaid taxes and funds (-)	(1,027,545)	21,203,186
	(14,748,906)	**(17,061,162)**

Tax (expense)/income	**1 January – 31 March 2021**	**1 January – 31 March 2020**
Current period corporate tax (expense)/income	(13,721,361)	(996,699)
Deferred tax (expense)/income	(10,933,136)	6,207,965
	(24,654,497)	**5,211,266**

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

Deferred tax assets(*)	**31 March 2021**	**31 December 2020**
Cash capital increase tax incentive assets	27,064,070	22,733,620
Tax losses carried forward	26,771,052	30,708,039
Provision for litigations	5,997,827	5,716,173
Inventory impairment provision	5,759,203	5,412,324
Rediscount of receivables	2,421,690	1,680,891
Provision for employee benefits	2,355,607	1,940,711
Provision for other doubtful receivables	2,067,278	2,067,278
Recultivation provision	973,435	942,184
Property, plant and equipment and intangible assets	614,171	569,453
Other	2,726,734	7,564,265
	76,751,067	79,334,938
Deferred tax liabilities(*)		
Goodwill	(24,737,532)	(24,737,532)
Property, plant and equipment and intangible assets	(24,503,165)	(26,839,371)
Internal rate of return adjustment of borrowings	(1,080,897)	(411,588)
Inventories	(340,200)	(340,200)
Other	(3,072,371)	(3,338,394)
	(53,734,165)	(55,667,085)
Net deferred tax asset/(liability)	**23,016,902**	**23,667,853**

(*)The total net amount of these two balances is shown as deferred tax assets amounting to TL 56,795,863 (31 December 2020: 55,463,788 TL) and deferred tax liability of TL 33,788,961 (31 December 2020: 31,795,935 TL) in the balance sheet.

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

27. INCOME TAXES (Continued)

Deferred tax assets/(liabilities) presentation at balance sheet	31 March 2021	31 December 2020
Deferred tax assets	56,795,863	55,463,788
Deferred tax liabilities	(33,778,961)	(31,795,935)
	23,016,902	**23,667,853**

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

Deferred tax assets/(liabilities) movement	31 March 2021	31 March 2020
Opening balance	(23,667,853)	9,960,498
Deferred tax (income)/expense	(10,933,136)	(24,775,568)
Accounted under other comprehensive income	11,584,087	17,257,797
Currency translation difference and other	-	(9,345,469)
Closing balance	**(23,016,902)**	**(6,902,742)**

Tax reconciliation:	31 March 2021	31 March 2020
Profit before taxation	199,101,077	(9,122,782)
Effective statutory income tax rate	%20	%22
Tax expense at the effective statutory income tax rate	(39,820,215)	2,007,012
Reconciliation of tax provision calculated with deductible:		
- Effect of the profit from investments accounted by equity method	8,819,999	3,425,747
- Effect of cash capital increase on tax incentive assets	4,330,450	696,581
- Tax exemption from sale of land	2,940,631	522,410
- Non-deductible expenses	(64,871)	(105,645)
- Other	(860,491)	(1,334,839)
Tax expense in the income statement	**(24,654,497)**	**5,211,266**

'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.

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

28. EARNINGS PER SHARE

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

Earnings/loss per share from continuing operations:	1 January – 31 March 2021	1 January – 31 March 2020
Number of shares	135,084,442	135,084,442
Profit attributable to equity holders of the parent–TRY	160,882,885	(8,192,015)
Dividend per share with nominal value of 1 Kr - TRY	1.1910	(0.0606)

Earnings / (loss) per share from discontinued operations:	1 January – 31 March 2021	1 January – 31 March 2020
Number of shares	135,084,442	135,084,442
Profit attributable to equity holders of the parent - TRY	(225,708)	(9,846,531)
Dividend per share with nominal value of 1 Kr - TRY	(0.0017)	(0.0729)

29. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity's financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 March 2021 and 31 December 2020 and the related party transactions for the periods ended 31 March 2021 and 31 March 2020 are mainly as follows:

Short-term trade receivables from related parties

	31 March 2021	31 December 2020
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	2,246,772	685,287
	2,246,772	**685,287**

Short-term other receivables from related parties

	31 March 2021	31 December 2020
Ak Finansal Kiralama A.Ş.	223,504	223,504
Hacı Ömer Sabancı Holding A.Ş.	17,246	72,763
	240,750	**296,267**

(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.)

29. RELATED PARTY DISCLOSURES (Continued)

Short-term trade payables to related parties

	31 March 2021	31 December 2020
Enerjisa Üretim Santralleri A.Ş. (2)	58,351,620	87,661,748
Akbank T.A.Ş.(*)	7,065,134	8,868,750
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	-	27,270
Other	84,989	415,842
	65,501,743	**96,973,610**

Short-term other payables to related parties

	31 March 2021	31 December 2020
Aksigorta A.Ş. (3)	8,753,766	-
Sabancı Dx (2)	1,722,260	1,560,699
Cimsa Sabancı Cement BV(**)	-	313,788,120
Kordsa	-	94,044
Other	2,040,411	11,254
	12,516,437	**315,454,117**

Bank balances deposited in related parties

	31 March 2021	31 December 2020
Akbank T.A.Ş. (2)	276,617,655	387,462,987
	276,617,655	**387,462,987**

Borrowings from related parties

	31 March 2021	31 December 2020
Akbank T.A.Ş. (2)	100,774,625	151,297,334
	100,774,625	**151,297,334**

Sales to related parties

	1 January 31 March 2021	1 January 31 March 2020
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	2,740,524	1,319,967
Ak Finansal Kiralama	568,230	378,820
Sabancı Dx	24,155	32,579
Enerjisa Enerji A.Ş. (2)	-	5,546
Other	229,838	18,467
	3,562,747	**1,755,379**

(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.

(*) The trade payable is related with supplier financing
(**) It refers to the amount of capital committed to Cimsa Sabancı Cement BV with a capital of EUR 87,000,000 established in the Netherlands on 16 November 2020 with the participation of 40% of the Group and 60% of the Group's parent company Sabancı Holding A.Ş. The related commitment was paid on February 16, 2021.

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

29. RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

	1 January – 31 March 2021	1 January – 31 March 2020
Enerjisa Üretim Santralleri. (3)	73,856,518	63,937,714
Aksigorta A.Ş.	12,331,574	9,411,888
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	7,281,340	12,930
Sabancı Dx	2,032,358	2,103,831
Enerjisa Enerji A.Ş. (3)	1,445,641	403,891
Ak Finansal Kiralama	568,230	378,820
Ak Yatırım	463,449	43,446
Avivasa Emeklilik ve Hayat A.Ş. (3)	335,035	1,147,941
Teknosa	50,185	7,603
Other	113,592	233,228
	98,477,922	**77,681,292**

Interest income from related parties

	1 January – 31 March 2021	1 January – 31 March 2020
Akbank T.A.Ş. (2)	11,488,040	4,689,918
	11,488,040	**4,689,918**

Interest expense from related parties

	1 January – 31 March 2021	1 January – 31 March 2020
Akbank T.A.Ş. (2)	(3,166,504)	(11,056,079)
	(3,166,504)	**(11,056,079)**

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 TRY5,383,918.27 (31 March 2020: TRY3,715,102). The contributions paid to Social Security Institution are TRY262,698 (31 March 2020: TRY293,013).

(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.)

30. FOREIGN CURRENCY RISK

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

	31 March 2021				31 December 2020			
	TRY Equivalent (Functional Currency)	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**	**TRY Equivalent (Functional Currency)**	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**
Trade receivables	318,983,057	30,020,239	6,953,133	93,938	242,908,920	27,290,899	4,671,117	50,597
Monetary financial assets	147,528,111	10,812,571	5,795,689	74,787	500,260,531	14,231,015	43,899,023	36,178
Other	16,646,022	1,783,087	184,164	-	69,293,674	1,819,395	6,209,928	-
Current Assets	**483,157,190**	**42,615,897**	**12,932,986**	**168,725**	**812,463,125**	**43,341,309**	**54,780,068**	**86,775**
TOTAL ASSETS	**483,157,190**	**42,615,897**	**12,932,986**	**168,725**	**812,463,125**	**43,341,309**	**54,780,068**	**86,775**
Trade payables	(180,448,974)	(17,778,847)	(3,257,087)	(51,363)	(155,804,474)	(16,885,626)	(3,394,527)	(128,520)
Financial liabilities	(713,409,136)	(6,140,833)	(67,758,725)	-	(802,216,183)	(6,103,333)	(84,083,378)	-
Other	(18,602,539)	(264,221)	(1,675,058)	(2,664)	(19,059,683)	(374,187)	(1,808,021)	(2,664)
Short Term Liabilities	**(912,460,649)**	**(24,183,901)**	**(72,690,870)**	**(54,027)**	**(977,080,340)**	**(23,363,147)**	**(89,285,926)**	**(131,184)**
TOTAL LIABILITIES	**(912,460,649)**	**(24,183,901)**	**(72,690,870)**	**(54,027)**	**(977,080,340)**	**(23,363,147)**	**(89,285,926)**	**(131,184)**
Net foreign currency asset liability position	**(429,303,459)**	**18,431,996**	**(59,757,884)**	**114,698**	**(164,617,214)**	**19,978,162**	**(34,505,859)**	**(44,409)**
Off balance sheet derivative financial instruments asset/liability position	**516,583,048**	**6,000,000**	**47,741,178**	**-**	**189,759,042**	**6,000,000**	**16,176,472**	**-**
Net foreign currency asset / liability position for monetary items	**87,279,589**	**24,431,996**	**(12,016,706)**	**114,698**	**25,141,828**	**25,978,162**	**(18,329,387)**	**(44,409)**
Export	436,531,215	37,514,197	16,134,954	402,642	1,151,063,076	104,063,391	51,542,851	1,275,212
Import	84,273,073	9,603,888	1,244,099	-	186,349,605	25,606,678	939,617	-

As the national currencies of the Group’s foreign subsidiaries are not assessed as the foreign currency risk, they are not included in the foreign currency position.

30. FOREIGN CURRENCY RISK (Continued)

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

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

	Profit /Loss		Equity	
31 March 2021	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
1- USD net assets/liabilities	15,346,479	(15,346,479)	15,346,479	(15,346,479)
2- Hedged portion of USD risk (-)	4,995,600	(4,995,600)	4,995,600	(4,995,600)
3- USD net effect (1+2)	20,342,079	(20,342,079)	20,342,079	(20,342,079)
4- Net EUR assets/liabilities	(58,407,953)	58,407,953	(58,407,953)	58,407,953
5- Hedged portion of EUR risk (-)	46,662,705	(46,662,705)	46,662,705	(46,662,705)
6- EUR net effect (4+6)	(11,745,248)	11,745,248	(11,745,248)	11,745,248
7- Net GBP assets/liabilities	131,128	(131,128)	131,128	(131,128)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	131,128	(131,128)	131,128	(131,128)
TOTAL (3+6+9)	**8,727,959**	**(8,727,959)**	**8,727,959**	**(8,727,959)**

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

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.)

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

Fair value of financial instruments

Fair value is defined as the price that collected from the sale of an asset or payable in the ordinary course of business at the measurement date between market participants.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, estimates are necessary to interpret market data to determine fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

Monetary assets

It is foreseen that cash and cash equivalent recording prices are equal to their fair value due to their short-term nature.

It is foreseen that trade receivables recording prices are equal to their fair value due to their short-term nature.

Monetary liabilities

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

	31 March 2021	**31 December 2020**
Fair value difference reflects other comprehensive income/loss derivative financial assets and liabilities (*)	(53,399,148)	(55,091,713)
Total	**(53,399,148)**	**(55,091,713)**

	31 March 2021	**31 December 2020**
Fair value difference reflects over income/loss financial	53,972,765	53,495,548
Total	**53,792,765**	**53,495,548**

(*) Derivative instruments detailed in Note 21 consist of forward purchase/sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of 31 March 2021, the revaluation amount of the Group's hedged transactions is EUR12,941,178 (2020: EUR16,176,472), which is presented in the consolidated statement of financial position as "Derivative financial assets" and "Equity".

Fair value measurement hierarchy table

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

- First level: Financial assets and liabilities are measured at quoted market prices on the active market for identical assets and liabilities.
- Second level: Financial assets and liabilities are valued using inputs that are used to determine directly or indirectly the marketable price of the related asset or liability other than the quoted price at the first level.
- Third level: Financial assets and liabilities are valued at inputs that are not based on an observable asset in the market for the fair value of the asset or liability.

32. SUBSEQUENT EVENTS

As of March 31, 2021, the corporate tax rate valid in Turkey is 20%. However, according to the Article 11 of the Law No.7316 on the Procedure for the Collection of Public Claims, and the Provisional Article 13 added to the Corporate Tax Law No. The rate will be applied as 25% for the corporate earnings for the 2021 taxation period and 23% for the corporate earnings for the 2022 taxation periods.
This change will be valid for the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of July 1, 2021. Since the tax rate change will come into effect as of April 22, 2021, 20% is used as the tax rate in the period data and deferred tax calculations in the financial statements dated March 31, 2021. If the period tax for the first three-month interim period of the company was calculated over the new rate, it is estimated that the deferred tax asset would increase by TL 184,593 , the period profit tax liability would increase by TL 3,425,125 whereas deferred tax expense would decrease by TL 184,593, and the period expense would decrease by TL 3,425,125 .