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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2020

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

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

TABLE OF CONTENTS

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Note	(Reviewed) Current Period 31 March 2020	(Audited) Prior Period 31 December 2019
ASSETS			
Cash and cash equivalents	5	756,319,454	267,350,543
Trade receivables	6	514,374,772	460,975,667
Trade receivables from related parties	*28*	*1,578,370*	2,032,726
Trade receivables from third parties		*512,796,402*	*458,942,941*
Other receivables		2,839,752	3,972,111
Other receivables from related parties	*28*	*228,724*	228,724
Other receivables from third parties	8	2,611,028	*3,743,387*
Derivate financial instruments	*20*	34,388,082	*17,099,686*
Inventories	9	265,157,468	184,773,904
Prepaid expenses	10	23,864,761	12,154,694
Assets related to the current period taxes	26	11,695,994	3,078,501
Other current assets	18a	101,403,101	104,203,588
Inverstment property	13	129,891	131,852
Current assets		**1,710,173,275**	**1,053,740,548**
Other receivables	8	4,312,692	4,009,281
Other receivables from third parties		*4,312,692*	*4,009,281*
Available for sale financial investments		64,478	64,478
Investments accounted under equity method	3	320,152,531	310,993,227
Derivative financial instruments	20	13,514,896	24,287,721
Property, plant and equipment	11	2,107,971,235	2,090,142,424
Right of use	12	47,660,050	40,381,296
Intangible assets		165,529,967	166,153,834
Goodwill	*14*	*148,119,252*	*148,119,252*
Other intangible assets	*11*	*17,410,715*	*18,034,582*
Prepaid expenses	10	2,226,894	1,582,452
Deferred tax assets	26	67,579,295	59,162,445
Other non-current assets	18a	28,704,549	24,239,065
Non-current assets		**2,757,716,587**	**2,721,016,223**
TOTAL ASSETS		**4,467,889,862**	**3,774,756,771**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

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

	Note	(Reviewed) Current Period 31 March 2020	(Audited) Prior Period 31 December 2019
LIABILITIES			
Short-term borrowings	7	1,228,373,540	674,684,295
Current portion of long-term borrowings	7	206,155,744	205,671,050
Trade payables	6	444,698,597	353,739,900
Trade payables to related parties	*28*	*89,838,623*	*63,805,500*
Trade payables to third parties		*354,859,974*	*289,934,400*
Employee benefit obligations	17	10,332,400	9,459,649
Other payables	8	22,952,326	26,554,732
Other payables to related parties	*28*	*8,750,401*	*3,537,576*
Other payables to third parties		*14,201,925*	*23,017,156*
Derivative financial liabilities	20	34,498,656	17,038,221
Deferred income	10	20,449,274	23,577,123
Current income tax liability	26	425,926	287,389
Short-term provisions		20,719,170	20,028,140
Other short-term provisions	*15*	*20,719,170*	*20,028,140*
Other current liabilities	18b	18,636,914	14,502,245
Current liabilities		**2,007,242,547**	**1,345,542,744**
Long-term borrowings	7	878,006,266	820,816,512
Long-term provisions		51,193,037	47,337,626
Long-term provisions for employee benefits	*15,17*	*47,220,739*	*43,128,555*
Other long-term provisions	*15*	*3,972,298*	*4,209,071*
Derivative financial liabilities	20	12,266,207	23,036,946
Deferred tax liability	26	53,711,860	52,259,704
Non-current liabilities		**995,177,370**	**943,450,788**
SHAREHOLDERS' EQUITY			
Share capital	19	135,084,442	135,084,442
Adjustments to share capital	19	41,741,516	41,741,516
Share premiums		1,099,415	1,099,415
Other comprehensive income/expense to be reclassified to profit or loss		23,439,807	27,302,196
Foreign currency translation reserve		*77,707,045*	*54,499,662*
Hedge fund		*(39,946,230)*	*(39,575,608)*
Increase/(decrease) funds of available-for-sale financial assets		*(14,321,008)*	*12,378,142*
Other comprehensive income/expense not to be reclassified to profit or loss		(11,703,659)	(8,924,835)
Actuarial gains/(losses) on defined benefit plans		*(11,703,659)*	*(8,924,835)*
Restricted reserves		193,104,976	193,104,976
Retained earnings		998,526,403	985,356,923
Net profit for the year		(8,192,016)	13,169,480
Equity attributable to equityholders of the parent		**1,373,100,884**	**1,387,934,113**
Non-controlling interests		92,369,061	97,829,126
Total shareholders' equity		**1,465,469,945**	**1,485,763,239**
TOTAL LIABILITIES AND EQUITY		**4,467,889,862**	**3,774,756,771**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2020

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

	Note	(Reviewed) Current Period 1 January- 31 March 2020	(Reviewed) Prior Period 1 January- 31 March 2019
OPERATING INCOME			
Sales	21	411,677,716	336,189,944
Cost of sales (-)	22	(348,023,193)	(268,980,133)
GROSS PROFIT		**63,654,523**	**67,209,811**
General and administrative expenses (-)	22	(47,712,936)	(29,976,031)
Marketing, selling and distribution expenses (-)	22	(5,351,321)	(3,364,076)
Research and development expenses(-)	22	(1,436,623)	(981,308)
Other operating income	23	74,040,356	27,778,377
Other operating expenses (-)	23	(45,685,320)	(15,736,441)
OPERATING PROFIT		**37,508,679**	**44,930,332**
Income from investment activities	24	3,889,134	16,624,140
Expense from investment activities (-)	24	-	(4,383)
Profit/(loss) from investments accounted by equity method	3	15,571,575	9,678,828
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**56,969,388**	**71,228,917**
Financial income	25	4,690,685	1,398,453
Financial expenses (-)	25	(81,566,223)	(65,795,607)
PROFIT BEFORE TAXATION		**(19,906,150)**	**6,831,763**
Tax income/(expense) from continuing operations		**6,148,102**	**4,722,374**
- Current period tax expense	26	(1,811,020)	(3,868,633)
- Deferred tax income/(expense)	26	7,959,122	8,591,007
NET PROFIT		**(13,758,048)**	**11,554,137**
Profit for the period attributable to			
- Non-controlling interests		(5,566,032)	(6,638,037)
- Equity holders of the parent		(8,192,016)	18,192,174
Earnings Per Share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)		(0.0606)	0.1347

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

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

	(Reviewed) Current Period 1 January- 31 March 2020	**(Reviewed) Prior Period 1 January- 31 March 2019**
PROFIT FOR THE PERIOD	**(13,758,048)**	**11,554,137**
Other comprehensive income/expense to be reclassified to profit or loss	**(3,756,422)**	**(6,091,383)**
Foreign currency translation reserve	*23,313,349*	*(23,565,213)*
Available for sales financial assets revaluation reserve	*(34,229,679)*	*22,088,543*
Hedge fund	*(475,156)*	*(770,470)*
Tax income/(expense)	*7,635,064*	*(3,844,243)*
Other comprehensive income/expense not to be reclassified to profit or loss	**(2,778,824)**	**1,371,850**
Actuarial gains/(losses) on defined benefit plans	*(3,562,595)*	*1,714,813*
Tax (expense)/income	*783,771*	*(342,963)*
OTHER COMPREHENSIVE INCOME/(EXPENSE) (AFTER TAX)	**(6,535,246)**	**(4,719,533)**
TOTAL COMPREHENSIVE INCOME	**(20,293,294)**	**6,834,604**
Total comprehensive income attributable to		
-Non-controlling interests	(5,460,065)	(6,271,401)
-Equity holders of the parent	(14,833,229)	13,106,005

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2020

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

				Other Comprehensive Income/Expense to be Reclassified to Profit or Loss			Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		Retained Earnings				
	Share capital	**Adjustments to share capital**	**Share premiums**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Available for sales financial assets revaluation reserve**	**Actuarial gains/(losses) on defined benefit plans**	**Restricted reserves**	**Retained earnings**	**Net profit for the period**	**Equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total equity**
1 January 2019	**135,084,442**	**41,741,516**	**1,099,415**	**66,947,614**	**(75,387,265)**	**(16,144,493)**	**(5,777,277)**	**193,104,976**	**830,431,391**	**154,925,532**	**1,326,025,851**	**125,453,529**	**1,451,479,380**
Transfer from retained earnings	-	-	-	-	-	-	-	-	154,925,532	(154,925,532)	-	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	18,192,174	**18,192,174**	(6,638,037)	**11,554,137**
Other comprehensive income/(expense)	-	-	-	(20,845,186)	(631,533)	18,105,363	(1,714,813)	-	-	-	**(5,086,169)**	366,636	**(4,719,533)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(20,845,186)**	**(631,533)**	**18,105,363**	**(1,714,813)**	**-**	**-**	**18,192,174**	**13,106,005**	**(6,271,401)**	**6,834,604**
31 March 2019	**135,084,442**	**41,741,516**	**1,099,415**	**46,102,428**	**(76,018,798)**	**1,960,870**	**(7,492,090)**	**193.104,976**	**985,356,923**	**18,192,174**	**1,339,131,856**	**119,182,128**	**1,458,313,984**
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	-	-	-	-	-	-	-	-	-	(8,192,016)	**(8,192,016)**	(5,566,032)	**(13,758,048)**
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)**	**-**	**-**	**(8,192,016)**	**(14,833,229)**	**(5,460,065)**	**(20,293,294)**
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**	**(8,192,016)**	**1,373,100,884**	**92,369,061**	**1,465,469,945**

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2020

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

	Note	(Reviewed) Current Period 1 January- 31 March 2020	(Reviewed) Prior Period 1 January- 31 March 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		**10,950,771**	**(25,782,338)**
Profit before taxation		(19,906,150)	6,831,763
Adjustments to reconcile net profit/loss for the period		**101,413,268**	**81,216,232**
Adjustment related to depreciation and amortization expense	22	37,618,697	32,427,649
Adjustment related to gain on sale of fixed assets	24	(3,889,134)	(16,110,291)
Adjustment related to retained profits of subsidiaries	3	(15,571,575)	(9,678,828)
Adjustment related to allowance for doubtful receivable	6	8,000	937,387
Adjustment related to provision for inventories	9	435,309	97,935
Adjustment related to provision for litigations	15	691,030	100,345
Adjustment related to recultivation provision	15	(236,774)	311,446
Adjustment related to retirement pay provision	17	4,285,539	6,579,514
Adjustment related to seniority provision	17	504,383	650,503
Adjustment related to unpaid vacation liability	17	768,581	929,483
Adjustment related to interest expense	23/25	43,571,822	56,651,483
Adjustment related to interest income	23/25	(5,028,677)	(1,812,635)
Unrealized foreign exchange (gains)/losses on financial borrowings		38,348,030	9,150,495
Adjustment related to fair value decrease/(increase) of derivative financial instruments		(91,963)	981,746
Changes in working capital		**(67,106,220)**	**(111,826,962)**
Short-term trade receivables		(53,715,157)	(22,252,578)
Inventories		(80,818,873)	(70,064,423)
Other receivables/current assets/prepaid expenses		(16,394,715)	(24,556,006)
Long-term trade receivables		-	(536,497)
Other long term receivables/prepaid expenses		(5,413,337)	(16,967,214)
Short term trade payables		90,958,697	(5,691,589)
Other short term payables/liabilities		(1,722,835)	28,241,345
Cash flows from operations		**14,400,898**	**(23,778,967)**
Interest received	23	337,992	414,182
Retirement pay provision paid	17	(1,604,957)	(798,922)
Seniority provision paid	17	(365,930)	(314,606)
Unused vacation liability paid	17	(144,749)	-
Taxes paid		(1,672,483)	(1,304,025)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(4,106,289)**	**(37,788,825)**
Purchases of property, plant and equipment	11	(9,470,311)	(61,073,584)
Proceeds from sales of property, plant and equipment		5,442,596	23,284,759
Purchases of intangible assets	11	(78,574)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		**487,096,276**	**37,001,523**
Proceeds from borrowings		902,447,696	324,568,799
Repayment of borrowings		(372,117,972)	(261,785,143)
Interest paid		(47,924,133)	(27,180,586)
Interests received	25	4,690,685	1,398,453
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**493,940,758**	**(26,569,640)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**267,240,480**	**217,427,133**
Curreny translation differences (net)		(4,982,337)	(47,553,093)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**756,198,901**	**143,304,400**

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS

General

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

The registered office address of the Group is 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 TL 200,000,000 (31 December 2019 - TL 200,000,000)

As of 31 March 2020 and 31 December 2019, the information related to the Company's subsidiaries is as follows:

Entity	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				31 March 2020	31 December 2019
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12.10.2005	NCTR	Cement sales and marketing	99.99%	99.99%
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	08.02.2006	Romania	Cement sales and marketing	99.99%	99.99%
Çimsa Cement Sales North GmbH (CSN)(*)	27.06.2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana, S.A.U.) (*)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi (*)	12.12.2007	Turkey	Cement export	100%	100%
Regent Place Limited (Regent) (*)	21.05.2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) (*)	16.07.2008	Russia	Cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl (*)	09.02.2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31.05.2012	Turkey	Cement production and sales	51%	51%
Cimsa Americas Cement Manufacturing and Sales Corporation (Cimsa Americas) (*)	07.07.2017	USA	Cement production and sales	100%	100%

(*) Accounted for using full consolidation method.

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

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

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 5 May 2020. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The number of blue collar employees (a union member) of the Group for the year ended 31 March 2020 is 628 (2019 – 635) and white collar employees (not a union member) is 507 (2019– 513) and the number of employees working in subsidiaries located abroad is 49 (2019 - 49).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Preparation principles of financial statements

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

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

Functional currency of Cement Sales North Gmbh, Çimsa Cementos Espana S.A.U., Regent Place Ltd. and Çimsa Adriatico SRL is Euro, the functional currency of Çimsarom Marketing Distribute Srl is New Romanian Lei ("Ron"), functional currency of OOO Çimsa – Rus Ctk is Ruble and functional currency of Cimsa Americas Cement Manufacturing and Sales Corporation is Dollar ("USD"). Based on TAS 21, for subsidiaries operating in countries without high inflation rates, the exchange rate used for translating the financial position items is the exchange rate at the balance sheet date; for income statement balances, the average exchange rate of the related period and the consolidated financial statements are presented in TL. The resulting foreign currency gain / loss are recorded under the "Currency Translation Reserve" account in equity.
The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. These adjustments and reclassifications mainly consist of the effect of deferred tax calculation, provision for doubtful receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 "Employee Benefits" ("TAS 19"), prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, capitalization of financing expenses made in scope of TAS 23 "Borrowing Cost" ("TAS 23") over construction in progress, the assessment of financial assets and liabilities in accordance with IFRS9 "Financial Instruments: Accounting and Measurement" ("IFRS9"), the accounting of TFRS 3 "Business Combinations" ("IFRS 3") and the accounting of derivative financial instruments and cash flow hedge reserves in accordance with IFRS 9.

2.2 Seasonality of the Group's operations

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

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 settlee 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 2020, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee and, c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries are included in the consolidated statements of profit or loss from the effective date of acquisition.

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

Subsidiaries

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

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

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

Associates

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

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

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

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

Cash and cash equivalents

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

Trade Receivables

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

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

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. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Derecognition of tangible and intangible assets

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

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

Goodwill

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

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

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

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

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

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 counTL.

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

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

Business combinations

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

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

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Foreign currency transactions

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

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

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

Date	31 March 2020	31 December 2019
US Dollar ("USD")/TL	6.5160	5.9402
Euro ("EUR")/TL	7.2150	6.6506
Ruble ("RUB")/TL	0.0812	0.0995
Ron ("RON")/TL	1.4847	1.3832
Sterlin ("GBP")/TL	8.0579	7.7765

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

Date	2020	2019
USD/TL	6.1634	5.6690
EUR/TL	6.8258	6.3459
RUB/TL	0.0908	0.0871
RON/TL	1.4134	1.3298
GBP/TL	7.9003	7.1988

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Provisions, contingent assets and liabilities

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

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

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

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

Income tax

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

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

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

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

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

Provisions for employee benefits / retirement pay provision

a. Defined benefit plan

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

b. Defined contribution plans

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

c. Seniority provision

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

d. Vacation rights

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

Leasing

Leasing acitivites - as lessee

Financial leasing

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

Operating lease

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

Related parties
A party is related to the Company if:

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

Sale of Goods

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

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

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

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

Interest

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

Dividends

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

Earnings per share

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

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

Events subsequent to the balance sheet date

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Accounting on transaction and delivery date

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

Financial instruments

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

A financial asset is any asset that is:

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

A financial liability that is a contractual obligation:

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

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

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a 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 32.

Loans and receivables

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Available for sale financial assets

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

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

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

Impairment on financial assets

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Financial liabilities

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

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

Bank borrowings

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

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

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

Recognition and derecognition of financial instruments

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

Research expenses and development costs

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

2.7 Comparative Information

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

2.8 The new and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and TFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Amendment to IFRS 9, 'Financial instruments'
Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Amendment to IAS 28, 'Investments in associates and joint venture';
Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

IFRS 16, 'Leases'
Effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRIC 23, 'Uncertainty over income tax treatments';
Effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabities, tax losses and credits and tax rates.

Annual improvements 2015-2017
Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'
Effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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.

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.

ii) Standards, amendments and interpretations that are issued but not effective as at 31 March 2020

IFRS 17, 'Insurance contracts'
Effective from annual periods beginning on or after 1 January 2022. 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.9 Significant accounting judgments and estimates

a) Reserve for retirement pay liability is determined by using actuarial assumptions such as discount rates, future salary increase and employee's turnover rates. The estimations include significant uncertainties due to their long term nature (Note 17).

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

c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 11).

d) In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor (Note 15).

e) During the assessment of the reserve for obsolete inventories, inventories are physically and historically analyzed, usefulness of the inventories are determined based on the view of the technical personnel and if it is necessary, allowance is booked (Note 9).

f) The Group performs its impairment analysis on assets by using discounted cash flows. In these analyses, there are certain an assumption about discount rates used and Group's future operations (Note 14).

g) The Group has made certain important assumptions based on experiences of technical personnel in determining of calculation of recultivation provision (Note 15).

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

As of March 31, 2020, the accounting principles described in Note 2.1 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

3. SHARES IN AFFILIATED UNDERTAKINGS

The assets and liabilities of Exsa, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 March 2020 and 31 December 2019 and revenue, expense and net profit for the periods ending 31 March 2020 and 31 March 2019 are as follows:

				31 March 2020		**31 December 2019**
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	320,152,531	32.9	310,993,227
				320,152,531		**310,993,227**

	31 March 2020	**31 December 2019**
Assets	1,180,273,003	1,062,136,001
Liabilities	(206,425,000)	(116,149,000)
Net assets	973,848,003	945,987,001
Group's share	**320,152,531**	**310,993,227**

	1 January-31 March 2020	**1 January-31 March 2019**
Revenues	141,481,008	39,618,507
Expenses	(94,115,000)	(10,177,204)
Net profit for the period	47,366,008	29,441,303
Group's share in net profit	**15,571,575**	**9,678,828**

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

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

	31 March 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	(5,979,263)	(82,696,768)	-

	31 December 2019			
Subsidiary	**Non-controlling interest %**	**Gain/losses attributable to non-controlling interests**	**Accumulated non-controlling interests**	**Dividend paid to non-controlling interests**
Afyon Çimento Sanayi T.A.Ş.	49	(29,988,151)	(89,113,188)	-

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

Condensed balance sheet information

	31 March 2020	**31 December 2019**
Cash and cash equivalents	222,118	5,704,011
Other current assets	82,207,236	53,726,073
Non-current assets	591,396,632	602,798,545
Total assets	**673,825,986**	**662,228,629**
Short term borrowings	269,539,991	264,473,868
Other current liabilities	59,943,823	32,916,240
Long term borrowings	159,914,850	167,946,781
Other non-current liabilities	14,589,123	13,958,807
Total liabilities	**503,987,787**	**479,295,696**
Total equity	**169,838,199**	**182,932,933**

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

Condensed income statement information

	1 January- 31 March 2020	1 January- 31 March 2019
Revenue	43,598,273	26,718,177
Gross profit	(69,590)	(4,624,739)
Operating profit/ (loss)	(1,398,647)	(6,895,461)
Net financial income /(expense)	(16,532,943)	(19,212,959)
Profit/ (loss) before tax	(16,071,943)	(20,614,137)
Net profit for the period	**(11,967,781)**	**(14,461,419)**

Condensed cash flow information

	1 January- 31 March 2020	1 January- 31 March 2019
Cash flows from operating activities	12,336,119	10,772,874
Cash flows from investing activities	1,402,299	5,655,119
Cash flows from financing activities (excluding dividend)	(19,220,311)	(24,497,043)
Net increase/(decrease) in cash and cash equivalents	**(5,481,893)**	**(8,069,050)**

4. SEGMENT REPORTING

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

The Group manages and organizes its operations depending on the content of the services and goods provided. The Group prepares its segment reporting in accordance with IFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the years ended 31 March 2020 and 31 March 2019, 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 2020 and 31 December 2019.

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

4. SEGMENT REPORTING (continued)

1 January-31 March 2020	Cement	Ready-mix concrete	Elimination	Total
Sales	422.473.905	44.341.264	(55.137.453)	411.677.716
Cost of sales (-)	(359.970.953)	(43.189.693)	55.137.453	(348.023.193)
Gross profit/(loss)	**62.502.952**	**1.151.571**	**-**	**63.654.523**
General administrative,marketing selling distribution expenses (-)	(50.013.703)	(3.050.554)	-	(53.064.257)
Other operating income/(expenses) (-), net	28.145.652	209.384	-	28.355.036
Research and development expenses (-)	(1.436.623)	-	-	(1.436.623)
Operating profit/ (loss)	**39.198.278**	**(1.689.599)**	**-**	**37.508.679**

1 January-31 March 2019	Cement	Ready-mix concrete	Elimination	Total
Sales	323.389.806	33.856.156	(21.056.018)	336.189.944
Cost of sales (-)	(260.123.124)	(29.913.027)	21.056.018	(268.980.133)
Gross profit/(loss)	**63.266.682**	**3.943.129**	**-**	**67.209.811**
General administrative, marketing selling distribution expenses (-)	(28.601.210)	(4.738.897)	-	(33.340.107)
Other operating income/(expenses) (-), net	11.957.210	84.726	-	12.041.936
Research and development expenses (-)	(981.308)	-	-	(981.308)
Operating profit/ (loss)	**45.641.373**	**(711.041)**	**-**	**44.930.332**

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

4. SEGMENT REPORTING (continued)

31 March 2020	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	3,905,795,220	125,539,307	-	-	4,031,334,527
Available for sale financial investments	-	-	64,478	-	64,478
Investments accounted by equity method	-	-	320,152,531	-	320,152,531
Undistributed assets	-	-	116,338,326	-	116,338,326
Total assets	**3,905,795,220**	**125,539,307**	**436,555,335**	**-**	**4,467,889,862**
Segment liabilities	2,978,188,809	24,231,108	-	-	3,002,419,917
Undistributed liabilities	-	-	1,465,469,945	-	1,465,469,945
Total liabilities	**2,978,188,809**	**24,231,108**	**1,465,469,945**	**-**	**4,467,889,862**

31 December 2019	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	3,187,004,892	163,413,209	-	-	3,350,418,101
Available for sale financial investments	-	-	64,478	-	64,478
Investments accounted by equity method	-	-	310,993,227	-	310,993,227
Undistributed assets	-	-	113,280,965	-	113,280,965
Total assets	**3,187,004,892**	**163,413,209**	**424,338,670**	**-**	**3,774,756,771**
Segment liabilities	2,250,086,077	38,907,455	-	-	2,288,993,532
Undistributed liabilities	-	-	1,485,763,239	-	1,485,763,239
Total liabilities	**2,250,086,077**	**38,907,455**	**1,485,763,239**	**-**	**3,774,756,771**

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

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

5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020	**31 December 2019**
Cash	29,199	18,286
Cash at banks	756,290,255	267,332,257
Demand deposits	*30,356,255*	*31,975,327*
Time deposits with maturity of less than 3 months	*725,934,000*	*235,356,930*
	756,319,454	**267,350,543**
Blocked deposits (-)	(120,553)	(110,063)
Cash and cash equivalents in consolidated cash flow statement	**756,198,901**	**267,240,480**

(*) The maturities are due but not collected as of March 31, 2020.

The detail of bank deposits is stated below:

	31 March 2020	**31 December 2019**
Turkish Liras	356,523,225	101,509,303
Euro	236,237,420	111,313,872
US Dollar	156,786,231	48,345,221
GBP	4,118,036	5,110,390
Other	2,625,343	1,053,471
	756,290,255	**267,332,257**

Time deposits as of 31 March 2020 and 31 December 2019 are denominated in TL, USD, and EUR with the maturity of less than three months. As of 31 March 2020, effective weighted average interest rate on time deposits is 9.90% for TL, 0.52% for USD, and 0.06% for EUR (31 December 2019 TL: 17.13%). The blocked deposit amount is TL 120,553 as of March 31, 2020 (The blocked deposit amount is TL 110,063 as of December 31, 2019).

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

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

Short-term trade receivables	31 March 2020	31 December 2019
Trade receivables	459,973,436	405,698,813
Notes receivable	69,182,758	70,312,656
Due from related parties (Note 28)	1,578,370	2,032,726
Minus: Expected credit losses provision	-	(1,024,789)
Allowance for doubtful receivables (-)	(16,359,792)	(16,043,739)
	514,374,772	**460,975,667**

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 83 days (31 December 2019- 82 days). Effective interest rates used when determining the amortized cost are 12.80% for TL, 4.53% for USD and 1.78% for EUR (31 December 2019 - TL: 16.86%, USD: 4.53%, EUR: 2.14%).

The movement of the provision for doubtful receivables for the periods ended 31 March 2020 and 31 March 2019 is as follows:

Movements of allowance for doubtful receivables	31 March 2020	31 March 2019
Opening balance	16,043,739	18,698,305
Provisions during the period (Note 23)	8,000	937,387
Reversal of the provision (-) (Note 23)	-	-
Currency translation difference	308,053	200,934
Closing balance	**16,359,792**	**19,836,626**

b. Trade payables

Short-term trade payables	31 March 2020	31 December 2019
Trade payables	354,859,974	289,934,400
Trade payables to related parties (Note 28)	89,838,623	63,805,500
	444,698,597	**353,739,900**

The average payment period of trade payables is 85 days (31 December 2019: 82 days). Effective interest rates used when determining the amortized cost are 12.80% for TL, 4.53% for USD and 1.78% for EUR (31 December 2019 - TL: 16.86%, USD: 4.53%, EUR 2.14%).

(Amounts expressed in Turkish Lira ("TL"), 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 2020	31 December 2019
Short-term borrowings	1,074,233,042	642,788,986
Current portion of long-term bank loans	206,155,744	205,671,050
Short-term financial liabilities (*)	4,006,465	4,343,248
Short-term bonds issued	150,134,033	27,552,061
	1,434,529,284	**880,355,345**
Long-term borrowings	821,462,304	653,925,961
Long-term financial liabilities (*)	56,543,962	44,632,252
Long-term bonds issued	-	122,258,299
	878,006,266	**820,816,512**
Total borrowings excluding TFRS 16	**2,251,985,123**	**1,652,196,357**
Total borrowings	**2,312,535,550**	**1,701,171,857**

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

The details of the borrowings and financial lease liabilities as of 31 March 2020 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 March 2020
Secured	Floating(**)	EUR	0.84%	46,247,640	297,601,726	36,075,000	333,676,726
Unsecured	Fixed	EUR	2.13%	52,980,345	248,259,077	133,994,109	382,253,186
Secured	Fixed	USD	2.80%	47,925,163	51,640,360	260,640,000	312,280,360
Unsecured	Fixed	USD	4.53%	21,667,089	141,182,753	-	141,182,753
Unsecured	Fixed	TL	13.37%	1,082,592,098	562,887,725	519,704,373	1,082,592,098
					1,301,571,641	**950,413,482**	**2,251,985,123**

(**) Çimsa has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan of 25,882,354 EUR with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

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

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2019
Secured	Floating(**)	EUR	%1.06	20,019,792	99,890,626	33,253,000	133,143,626
Unsecured	Fixed	EUR	%2.52	48,982,309	200,758,275	125,003,472	325,761,747
Secured	Fixed	USD	%2.80	46,450,000	38,314,290	237,608,000	275,922,290
Unsecured	Fixed	USD	%4.53	21,493,798	127,677,459	-	127,677,459
Unsecured	Fixed	TL	%14.08	789,691,234	409,371,447	380,319,787	789,691,234
					876,012,097	**776,184,260**	**1,652,196,357**

(**) Çimsa has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan of 29,117,648 EUR with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity.

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

7. FINANCIAL BORROWINGS (continued)

The repayment schedule of the borrowings as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020	31 December 2019
To be paid within 1 year	1,430,522,820	876,012,097
To be paid between 1-2 years	573,463,096	613,879,297
To be paid between 2-3 years	247,999,207	162,304,963
	2,251,985,123	**1,652,196,357**

Our company issued bonds with a nominal value of 150,000,000 TL, 728 days term, variable interest rate and 3 months term, indexed to the Turkish Lira Reference Interest Rate. The value date of the issue is 21 March 2019 and the redemption date is 18 March 2021. The 4th coupon payment interest of the bond to be made on March 19, 2020 was determined as 2.8109% (11.27% annually). In order to protect itself from variable interest rate risk, the IRS (Interest Rate Swap) was made with Akbank and the interest rate was fixed.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

Short-term Other Receivables	31 March 2020	31 December 2019
Receivables from insurance claims	1,408,448	1,133,545
Other miscellaneous receivables	1,603,646	2,788,362
Due from personnel	352,580	575,126
Provision for doubtful other receivables (-)	(753,646)	(753,646)
	2,611,028	**3,743,387**

Short-term Other Receivables	31 March 2020	31 December 2019
Other receivables from related parties (Note 28)	228,724	228,724
	228,724	**228,724**

Long-term Other Receivables	31 March 2020	31 December 2019
Deposits and guarantees given	4,312,692	4,009,281
	4,312,692	**4,009,281**

b. Other payables

Short-term Other Payables	31 March 2020	31 December 2019
Deposits and guarantees received	8,213,074	8,535,340
Taxes and funds payable	5,988,851	14,481,816
Other payables to related parties (Note 28)	8,750,401	3,537,576
	22,952,326	**26,554,732**

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

9. INVENTORIES

Inventories	31 March 2020	31 December 2019
Raw materials	129,256,690	95,967,096
Work-in progress	81,228,854	41,382,133
Finished goods	46,946,421	38,590,325
Other inventories	14,490,743	15,164,281
Inventory impairment provision (-)	(6,765,240)	(6,329,931)
	265,157,468	**184,773,904**

Inventory impairment provision movement

Inventory impairment provision movement	31 March 2020	31 March 2019
Opening balance	6,329,931	4,042,673
Provisions during the period (Note 22)	392,134	97,935
Foreign currency translation difference	43,175	6,723
Closing balance	**6,765,240**	**4,147,331**

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

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

Short-term Provision Expenses	31 March 2020	31 December 2019
Prepaid expenses	19,764,523	8,566,304
Advances given to suppliers	4,100,238	3,588,390
	23,864,761	**12,154,694**

Long-term Provision Expenses	31 March 2020	31 December 2019
Advances given for the purchase of fixed assets	1,588,884	906,118
Prepaid expenses	638,010	676,334
	2,226,894	**1,582,452**

b. Deferred income

Short-term Deferred Income	31 March 2020	31 December 2019
Advanced received	11,258,184	16,271,831
Deferred income	9,191,090	7,305,292
	20,449,274	**23,577,123**

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

11. PROPERTY, PLANT AND EQUIPMENT

The amount of tangible and intangible assets purchased for the period ending as of 31 March 2020 is TL 9,548,885 (31 March 2019: TL 61,073,584).
The net book value of tangible and intangible assets sold for the period ending as of 31 March 2020 is TL 1,553,462 (31 March 2019: TL 7,174,468).
For the period ending as of 31 March 2020 cost of goods sold contain depreciation and amortisation expenses of TL 32,281,410 (31 March 2019: TL 27,611,949), general and administrative expenses contain depreciation and amortisation expenses of TL 1,411,016 (31 March 2019: TL 1,732,762) and sales and distribution expenses contain depreciation and amortisation expenses of TL 57,558 (31 March 2019: TL 58,248) and research and development expenses contain depreciation and amortisation expenses of TL 25,237 (31 March 2019: TL 25,294)
As of 31 March 2020, the Group has pledges or/and mortgages on its assets amounting to TL 13,079,352 (31 December 2019: TL 12,056,208).
As of 31 March 2020, the Group net capitalized financing expenses on construction in progress does not exist (31 December 2019: does not exist)

12. RIGHT OF USE

Assets based details of right of use are as follows;

Right of Use	**1 January 2020**	**Additions**	**Reclasses**	**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**

For the period ending 31 March 2020, cost of goods sold contain depreciation and amortization expenses of TL 1,922,165, general and administrative expenses contain depreciation and amortization expenses of TL 1,921,311 resulting from right of use.

Right of Use	**1 January 2019**	**Additions**	**Reclasses**	**Depreciation for the Period**	**31 March 2019**
Buildings	43,160,749	-	-	(1,428,756)	41,731,993
Vehicles	7,008,935	-	-	(1,377,788)	5,631,147
Other	2,986,898	-	-	(192,852)	2,794,046
	53,156,582	-	-	**(2,999,396)**	**50,157,186**

For the period ending 31 March 2019, cost of goods sold contain depreciation and amortization expenses of TL 1,824,462, general and administrative expenses contain depreciation and amortization expenses of TL 1,174,934 resulting from right of use.

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

13. INVESTMENT PROPERTY

The sale of the old factory and other unused lands of the Company continues, the remaining amount of TL 129,891 amounted investment property has been reclassed as short term assets (31 December 2019 : TL 131,852)

	31 March 2020	31 December 2019
Opening balance	131,852	280,706
Reclasses	-	350,519
Sales	(1,961)	(499,373)
Total	**129,891**	**131,852**

14. GOODWILL

As of March 31, 2020, Goodwill amount is related to; Eskişehir and Ankara Cement Plants ("Standard Cement") purchased in 2005, Çimsa Cement in TRNC, Bilecik Ready-mixed Concrete Plants purchased in 2008, Afyon Cement Industry Turkish Joint Stock Company purchased in 2012 and Cırgalan Ready-Mixed Concrete facility purchased in 2018.
Movement table as of 31 March 2020 and 31 December 2019 is shown below.

31 March 2020	Opening	Effects of purchased plant	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
Cırgalan Hazır Beton Tesisi	-	-	-	-
	148,119,252	**-**	**-**	**148,119,252**

31 December 2019	Opening	Effects of purchased plant	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
Cırgalan Hazır Beton Tesisi	3,705,259	-	(3,705,259)	-
	151,824,511	**-**	**(3,705,259)**	**148,119,252**

Goodwill amounts associated with cash generating units are subjected to impairment determination studies once a year or more frequently if conditions indicate impairment. The recoverable value of cash generating units was determined on the basis of fair value calculations deducted from usage value or sales cost. The recoverable value was determined according to the fair value calculations made according to discounted cash flow analysis. These calculations include cash flow projections in TL and are based on five-year plans between 1 January 2020 and 31 December 2024. For the cash flow forecast, the average capital cost weighted by 16.40%, and the cost and sales price increases in line with macroeconomic and market assumptions were taken into consideration.
Cırgalan ready-mixed concrete facility was purchased with a price of 4,640,259 TL, and the positive goodwill amounting to TL 3,705,259 after the valuation regarding the facility was accounted in the consolidated balance sheet of the Group. According to TFRS 3 Business Combinations Standard, impairment test was performed for the cash generating unit groups in the period after the first accounting period. As a result of the impairment tests, as of 31 December 2019, the recoverable value of goodwill was determined under the registered value and an impairment of TL 3,705,259 was found.

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

15. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

As of 31 March 2020, there is no bonus and premium provisions for employee benefits. (31 December 2019: does not exist)

Short-term provisions	31 March 2020	31 December 2019
Provision for litigations	20,719,170	20,028,140
Short-term provisions for employee benefits	-	-
	20,719,170	**20,028,140**

The movement of "Provision for the litigations" as of 31 March 2020 and 31 March 2019 is stated below:

Provision for the litigation movement	31 March 2020	31 March 2019
Opening balance	20,028,140	16,828,717
Additional provision (Note 23)	832,856	124,088
Provision no longer required (-) (Note 23)	(141,826)	(23,743)
Closing balance	**20,719,170**	**16,929,062**

As of 31 March 2020, the Group has a provision amounting to TL 20,719,170 based on the opinion of the legal advisors related to the cases which have a risk against the Group (31 December 2019: TL 20,028,140).

b. Long-Term Provisions

Long-term provisions	31 March 2020	31 December 2019
Long-term employee benefits	47,220,739	43,128,555
Other long term provisions	3,972,298	4,209,071
	51,193,037	**47,337,626**

Other long term provisions	31 March 2020	31 December 2019
Recultivation provision	3,972,298	4,209,071
	3,972,298	**4,209,071**

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TL 3,972,298 under "Other Long Term Provisions" as of 31 March 2020 (31 December 2019: TL 4,209,071).

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

15. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)
b. Long Term Provisions (continued)

Movement of recultivation provision as of March 31, 2020 and March 31, 2019 is as follows:

Recultivation provision movement	1 January-31 March 2020	1 January-31 March 2019
Opening balance	4,209,071	4,260,089
Additional provision (Note 23)	262,600	547,910
Provision no longer required (-) (Note 23)	(499,373)	(236,464)
Closing balance	**3,972,298**	**4,571,535**

16. COMMITMENTS

As of 31 March 2020 and 31 December 2019, the details of the given letter of guarantee are as follows:

		31 March 2020		31 December 2019	
	Original Currency	**Original Amount**	**TL Balance**	**Original Amount**	**TL Balance**
Letters of guarantees received	TL	361,690,504	361,690,504	337,215,804	337,215,804
Letters of guarantees received	USD	26,309,985	171,435,865	30,918,531	183,662,258
Letters of guarantees received	EUR	11,916,843	85,980,022	11,887,143	79,056,633
Letters of guarantees received	Other	26,000	26,000	26,000	26,000
Mortgages received	TL	31,260,423	31,260,423	32,752,923	32,752,923
Mortgages received	EURO	544,391	3,927,780	544,391	3,620,526
Mortgages received	RUB	42,232,560	3,430,129	42,232,560	4,034,054
Checks and Notes received	TL	20,933,646	20,933,646	19,433,646	19,433,646
Checks and Notes received	EURO	70,000	505,050	70,000	465,542
Checks and Notes received	USD	47,300	308,207	47,300	280,971
Pledge	TL	18,038,836	18,038,836	17,189,320	17,189,320
Total received CPM			**697,536,462**		**677,737,677**

As of 31 March 2020 and 31 December 2019, the details of the CPM given are as follows:

		31 March 2020		31 December 2019	
	Original Currency	**Original Amount**	**TL Balance**	**Original Amount**	**TL Balance**
A. Total CPM given for the Company's own legal entity	TL	44,932,362	44,932,362	49,999,666	49,999,666
	USD	22,358,733	145,689,507	24,526,027	145,689,507
	EUR	3,851,537	27,788,838	3,855,373	25,640,546
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		-	-	-	-
C Total CPM given in favour of other 3rd parties for ordinary trading operations		-	-	-	-
D. Other CPM given		-	-	-	-
i Total CPM given in favour of parent entity		-	-	-	-
ii Total CPM given in favour of other Group companies out of scope of clause B and C		-	-	-	-
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			218,410,707		**221,329,719**

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

17. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	31 March 2020	31 December 2019
Social security payables	4,678,104	4,775,519
Personnel withholding tax	3,365,207	1,292,437
Wage and salary payables to personnel	2,289,089	3,391,693
	10,332,400	**9,459,649**

b. Long Term Employee Benefits

	31 March 2020	31 December 2019
Retirement pay provision	40,227,169	36,917,551
Provision for unpaid vacation liability	5,441,746	4,797,633
Seniority provision	1,551,824	1,413,371
	47,220,739	**43,128,555**

The movement of "Retirement Pay Provision" for the periods ended 31 March 2020 and 31 March 2019 is stated below:

	1 January-31 March 2020	1 January-31 March 2019
Opening balance	36,917,551	29,122,963
Service cost	3,877,090	4,562,892
Interest cost (Note 22)	408,450	301,809
Actuarial loss / (gain)	3,562,595	1,714,813
Provision paid during the period	(1,604,957)	(798,922)
Currency translation difference	(2,933,560)	(110,932)
Closing balance	**40,227,169**	**34,792,623**

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

Such payments are calculated on the basis of one month's pay limited to a maximum of full TL 6,730.15 as of 31 March 2020 (31 December 2019: full TL 6,379.86).

As of 31 March 2020, retirement pay provision is reflected in the consolidated financial statements by using the "Projection Method" based on actuary method and assumptions made by professional actuaries.

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

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

17. EMPLOYEE BENEFITS (continued)

	31 March 2020	31 December 2019
Net discount rate	4.50%	4.50%
Employee turnover rate	4.05%	3.87%

The movement of "Provision for Unpaid Vacation Liability" for the periods ended 31 March 2020 and 31 March 2019 is stated below:

	1 January-31 March 2020	1 January-31 March 2019
Opening balance	4,797,633	3,637,726
Additional provision	768,581	929,483
Provision paid during the period	(144,749)	-
Currency translation difference	20,281	7,761
Closing balance	**5,441,746**	**4,574,970**

The movement of "Seniority Provision" for the periods ended 31 March 2020 and 31 March 2019 is stated below:

	1 January-31 March 2020	1 January-31 March 2019
Opening balance	1,413,371	1,081,956
Additional provision	504,383	650,503
Provisions no longer required (-)	(365,930)	(314,606)
Closing balance	**1,551,824**	**1,417,853**

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

18. OTHER ASSETS AND LIABILITIES

a. Other Assets

Other current assets	31 March 2020	31 December 2019
Deferred VAT (1)	95,320,550	102,002,655
Job and personnel advances	1,515,991	872,010
Other current assets	4,566,561	1,328,923
	101,403,102	**104,203,588**

Other non-current assets	31 March 2020	31 December 2019
Deferred VAT (2)	28,002,450	22,306,923
Export VAT (3)	515,481	1,583,352
Other non-current assets	186,618	348,790
	28,704,549	**24,239,065**

(1) According to the estimates of the Group, the part that can be returned / deducted within a year is reclassified in other current assets account.
(2) According to the Group's estimates, the portion of the transferred VAT that can be refunded / deducted in a longer term is classified as long term. TL 28,002,450 (31 December 2019: TL 22,306,923)
(3) According to VAT Law no 11/c, the VAT amount regarding to the goods which are rendered to export dealers by manufacturers is not collected, and are recorded to export VAT and deferred VAT accounts. Uncollected VAT is declared on related VAT declaration; accrued VAT is deferred and recorded to deferred VAT accounts. After verification of the realization of export, tax administration makes cancellation for the deferred VAT.

b. Other Liabilities

	31 March 2020	31 December 2019
Other short term liabilities	18,636,914	14,502,245
	18,636,914	**14,502,245**

19. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 31 March 2020 and 31 December 2019, the composition of shareholders is as follows:

	31 March 2020		31 December 2019	
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 in BIST is 35.86% as of 31 March 2020 (31 December 2019: 35.65%).

The share capital of the Group as of 31 March 2020 consists of 135,084,442 shares (31 December 2019: 135,084,442 shares). The nominal value per share is TL 1 (31 December 2019: per share TL 1).

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

Restricted reserves and retained earnings

Legal reserves

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

Profit distribution

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

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

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

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

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

Foreign currency translation differences

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

Non-controlling interests

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

Available for sales financial assets revaluation reserve

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

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2020			31 December 2019		
	Fair Value			Fair value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Hedging against impaired risk						
Cross Currency Swap	-	-	-	-	-	-
Hedging against cash flow risk						
Forward foreign exchange transactions	152,014,585	34,388,082	-	157,348,985	17,099,686	-
Marketable securities			-			
Forward foreign exchange transactions	93,370,585	-	34,498,656	86,066,585	-	17,038,221
Total short term derivative financial instruments		**34,388,082**	**34,498,656**		**17,099,686**	**17,038,221**
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	186,741,199	1,248,689	-	193,649,843	1,250,775	-
Hedging against cash flow risk						
Forward foreign exchange transactions	93,370,614	12,266,207	-	107,583,258	23,036,946	-
Marketable securities						
Forward foreign exchange transactions	93,370,614	-	12,266,207	107,583,258	-	23,036,946
Total long term derivative financial instruments		**13,514,896**	**12,266,207**		**24,287,721**	**23,036,946**
Total derivative financial instruments		**47,902,978**	**46,764,863**		**41,387,407**	**40,075,167**

As of March 31, 2020, the Group has realized 25.8 million sell Euro buy Turkish Lira forward transaction with maturity of 4 years expired on March 29, 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

As of March 31, 2020, the Group has realized 25.8 million nominal value sell Turkish lira buy Euro forward transaction with maturity of 5 years expired on March 29, 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit or loss.

As of March 31, 2020, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of EUR 25.8 million of floating rates are replaced with fixed installment payments to hedge against cash flow risk. Changes arising from interest rate swap transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

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

21. REVENUE

Sales	1 January- 31 March 2020	1 January- 31 March 2019
Domestic sales	184,626,973	153,641,346
Export sales	306,140,092	242,248,611
Sales discounts (-)	(11,316,166)	(7,837,826)
Other deductions (-)	(67,773,183)	(51,862,187)
	411,677,716	**336,189,944**
Cost of sales (-) (Note:22)	**(348,023,193)**	**(268,980,133)**
Gross income	**63,654,523**	**67,209,811**

22. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January – 31 March 2020 and 2019 is as follows:

Cost of sales (-)

Cost of sales	1 January- 31 March 2020	1 January- 31 March 2019
Direct material and supplies expenses	(140,371,967)	(102,554,124)
Energy costs	(127,527,463)	(112,245,171)
Other production expenses	(34,203,575)	(29,436,411)
Depreciation and amortization expenses	(22,660,502)	(19,720,566)
Direct labor cost	(11,837,102)	(5,047,463)
Total production cost	**(336,600,609)**	**(269,003,735)**
Change in work-in-process	39,846,721	14,446,462
Change in finished goods	8,356,096	9,188,690
Inventory impairment provision (Note 9)	(392,134)	(97,935)
Cost of trade goods sold and other	(59,233,267)	(23,513,615)
	(348,023,193)	**(268,980,133)**

The detail of general administration expenses for the periods between 1 January – 31 March 2020 and 2019 is as follows:

General administration expenses	1 January- 31 March 2020	1 January- 31 March 2019
Personnel expenses	(18,670,125)	(11,923,998)
Consultancy expenses	(11,930,099)	(3,858,446)
Depreciation and amortization expenses	(3,332,327)	(2,907,696)
Insurance expenses	(2,266,004)	(569,343)
Travel expenses	(1,508,611)	(1,072,057)
IT expenses	(1,469,190)	(1,638,322)
Tax, duty and charges	(1,178,572)	(1,352,664)
Rent expenses	(992,377)	(506,977)
Representation expenses	(331,964)	(468,389)
Communication and advertising expenses	(246,204)	(615,129)
Maintenance expenses	(244,408)	(331,527)
Other miscellaneous expenses	(5,543,055)	(4,731,483)
	(47,712,936)	**(29,976,031)**

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

22. OPERATING EXPENSES BY NATURE (continued)

The detail of marketing, selling and distribution expense for the periods between 1 January – 31 March 2020 and 2019 is as follows:

Marketing, selling and distribution expenses	1 January- 31 March 2020	1 January- 31 March 2019
Personnel expenses	(3.051.090)	(1.990.874)
Representation expenses	(320.241)	(74.397)
Travel expenses	(298.591)	(288.745)
Rent expenses	(206.084)	(196.505)
Depreciation and amortization expenses	(57.558)	(58.248)
Consultancy expenses	(49.645)	(83.445)
Insurance expenses	(45.706)	(100.711)
Communication and advertising expenses	(22.231)	(20.126)
Other miscellaneous expenses	(1.300.175)	(551.025)
	(5.351.321)	**(3.364.076)**

The detail of research and development expenses for the periods between 1 January – 31 March 2020 and 2019 is as follows:

Research and development expenses	1 January- 31 March 2020	1 January- 31 March 2019
Personnel expenses	(833,249)	(773,293)
Outsourced benefits and services	(195,781)	(32,957)
Raw material expenses	(188,994)	-
Maintenance expenses	(43,140)	(900)
Travel expenses	(32,799)	(72,715)
Depreciation and amortization expenses	(25,237)	(25,294)
Rent expenses	(19,323)	(10,906)
Transportation expenses	-	(1,050)
Other miscellaneous expenses	(98,100)	(64,193)
	(1,436,623)	**(981,308)**

23. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 March 2020	1 January- 31 March 2019
Foreign exchange gain from operating activities	70,424,176	25,695,737
Provisions no longer required (Note 6/15)	641,199	260,207
Overdue and interest income from operating activities	337,992	414,182
Gain from sales of scrap and miscellaneous material	-	725,770
Other income	2,636,989	682,481
	74,040,356	**27,778,377**

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

23. OTHER OPERATING INCOME AND EXPENSES (continued)

Other operating expense	1 January- 31 March 2020	1 January- 31 March 2019
Foreign exchange loss from operating activities	(42,903,004)	(11,933,943)
Provision expenses (Note 6/15)	(1,103,456)	(1,609,385)
Donations and grants	(441,664)	(104,030)
Interest expense of retirement pay provision (Note 17)	(370,486)	(301,809)
Litigation, levy and court paid expenses	(45,384)	(131,443)
Compensation and penalty expenses	-	(656,295)
Other expenses	(821,326)	(999,536)
	(45,685,320)	**(15,736,441)**

24. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities	1 January- 31 March 2020	1 January- 31 March 2019
Fixed assets sales income (*)	3,889,134	16,114,674
Rent income	-	509,466
	3,889,134	**16,624,140**

Expense from investment activities	1 January- 31 March 2020	1 January- 31 March 2019
Fixed asset sales expense	-	(4,383)
	-	**(4,383)**

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

25. FINANCIAL INCOME / EXPENSE

Financial income	1 January- 31 March 2020	1 January- 31 March 2019
Interest income	4,690,685	1,398,453
Total financial income	**4,690,685**	**1,398,453**

Financial expenses	1 January- 31 March 2020	1 January- 31 March 2019
Interest expenses of bank borrowings	(43,201,336)	(56,349,674)
Foreign exchange loss on bank borrowings	(38,348,030)	(9,150,495)
Other financial expenses	(16,857)	(295,438)
Total financial expenses	**(81,566,223)**	**(65,795,607)**

26. INCOME TAXES

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

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

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

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

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

As of March 31,2020, and 2019, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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

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

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

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

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

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

26. INCOME TAXES (continued)

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

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of March 31, 2020 and December 31 2019, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statement.

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

As of 31 March 2020 and 31 December 2019, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

Assets related to the current period taxes	**31 March 2020**	**31 December 2019**
Assets related to the current period taxes	11,695,994	3,078,501
	11,695,994	**3,078,501**

Corporate tax payable	**31 March 2020**	**31 December 2019**
Current period corporate tax provision	(1,811,020)	(7,964,053)
Prepaid taxes and funds (-)	1,385,094	7,676,664
	(425,926)	**(287,389)**

Tax (expense)/income	**1 January-31 March 2020**	**1 January-31 March 2019**
Current period corporate tax (expense)/income	(1,811,020)	(3,868,633)
Deferred tax (expense)/income	7,959,122	8,591,007
	6,148,102	**4,722,374**

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

26. INCOME TAXES (continued)

Detail of deferred tax assets and liabilities of the Group as of March 31, 2020 and December 31, 2019 is as follows:

Deferred tax assets:	31 March 2020	31 December 2019
Tax losses carried forward	29,059,811	27,225,613
Provision for employee benefits	2,355,222	2,127,913
Tangible and intangible assets	8,453,861	7,566,318
Provision of mine site rehabilitation	837,080	887,808
Provision for doubtful receivables	1,388,936	1,551,849
Assets arising from cash capital increase tax incentive	10,824,351	8,220,890
Provision for litigations	4,558,189	4,406,163
Inventory impairment provision	1,568,398	1,184,258
Rediscount of payables and borrowings	-	8,710
Rediscount of receivables	795,097	799,164
Other	7,738,350	5,183,759
	67,579,295	**59,162,445**
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(26,940,813)	(26,801,818)
Inventories	(340,200)	(340,200)
Rediscount of payables and borrowings	(293,607)	-
Goodwill	(24,737,532)	(24,737,532)
Other	(1,399,708)	(380,154)
	(53,711,860)	**(52,259,704)**
Net deferred tax asset / (liability)	**13,867,435**	**6,902,741**

The balance sheet presentation of the deferred tax assets / (liabilities)	31 March 2020	31 December 2019
Deferred tax assets	67,579,295	59,162,445
Deferred tax liabilities	(53,711,860)	(52,259,704)
	13,867,435	**6,902,741**

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

26. INCOME TAXES (continued)

Deferred tax (assets)/ liabilities movement	**31 March 2020**	**31 March 2019**
Opening balance	(6,902,741)	9,960,498
Deferred tax (income)/expense	7,959,122	(8,591,007)
Accounted under other comprehensive income	(8,418,835)	4,187,206
Currency translation difference	(6,504,981)	(1,101,914)
Closing balance	**(13,867,435)**	**4,454,783**

Tax reconciliation:	**31 March 2020**	**31 March 2019**
Profit before taxation	(19,906,150)	6,831,763
Effective statutory income tax rate	%22	%22
Tax expense at the effective statutory income tax rate	4,379,353	(1,502,988)
Reconciliation of tax provision calculated with deductible:		
-Non-deductible expenses	(105,645)	(693,870)
- Effect of cash capital increase on tax incentive assets	2,381,357	6,730,155
-Tax exemption from sale of land	522,410	280,208
-Tax rate change effect (22%-20%)	-	(136,635)
-Effect of the profit from investments accounted by equity method	3,425,747	2,129,342
-Other	(4,455,120)	(2,083,838)
Tax expense in the income statement	**6,148,102**	**4,722,374**

"The Law on Amendment to Certain Laws and Decree Laws" (Law No: 6637) has been promulgated in the Official Gazette dated 7 April 2015 and the Article will enter into force as from 1 July 2015. Capital companies are allowed a deemed interest deduction that is equal to 50% of the interest calculated on the cash capital increase in the registered capital of the existing corporations or cash capital contributions of the newly incorporated corporations based on the average interest rate announced by the Central Bank of Turkey for TL denominated commercial loans, from their Corporate tax base of the relevant year. Within the scope of the authorization provision in the legal regulation, the Council of Ministers amended this rate with the Decision no. 2015/7910 published in the Official Gazette dated 31 December 2016. Accordingly, the deduction will be applied as follows;

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

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

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

27. EARNINGS PER SHARE

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

	1 January-31 March 2020	1 January-31 March 2019
Number of shares	135,084,442	135,084,442
Profit attributable to equity holders of the parent – TL	(8,192,016)	18,192,174
Dividend per share with nominal value of 1 Kr – TL	(0.0606)	0.1347

28. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity's financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 March 2020 and 31 December 2019 and the related party transactions for the years ended 31 March 2020 and 31 March 2019 are mainly as follows:

Short-term trade receivables from related parties

	31 March 2020	31 December 2019
Akçansa Çimento Sanayi ve Ticaret A.Ş.[3]	1,576,230	2,006,838
Karçimsa Çimento San. ve Tic. A.Ş.	2,140	25,888
	1,578,370	**2,032,726**

(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 ("TL"), unless otherwise indicated.)

28. RELATED PARTY DISCLOSURES (continued)

Other receivables to related parties

	31 March 2020	31 December 2019
Ak Finansal Kiralama A.Ş.	223,504	223,504
Teknosa İç ve Dış Ticaret A.Ş.	5,220	5,220
	228,724	**228,724**

Short-term trade payables to related parties

	31 March 2020	31 December 2019
Enerjisa Enerji A.Ş. (2) (*)	89,838,623	63,670,705
Other	-	134,795
	89,838,623	**63,805,500**

Other payables to related parties (short term)

	31 March 2020	31 December 2019
Aksigorta A.Ş. (3)	3,973,480	12,924
Sabancı Dx (2)	3,642,352	2,983,076
Avivasa	911,065	-
Teknosa (3)	-	59,083
Other	223,504	482,493
	8,750,401	**3,537,576**

Bank balances deposited in related parties

	31 March 2020	31 December 2019
Akbank T.A.Ş. (2)	721,507,086	162,445,305
	721,507,086	162,445,305

Borrowings from related parties

	31 March 2020	31 December 2019
Akbank T.A.Ş.(2)	500,875,673	500,875,673
	500,875,673	**500,875,673**

Sales to related parties

	1 January- 31 March 2020	1 January- 31 March 2019
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	1,319,967	11,695
Ak Finansal Kiralama	378,820	-
Enerjisa Enerji A.Ş. (2)	5,546	355,672
Sabancı Dx	32,579	-
Other	18,467	297
Teknosa (3)	-	103,828
	1,755,379	**471,492**

(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 ("TL"), unless otherwise indicated.)

28 RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

	1 January- 31 March 2020	1 January- 31 March 2019
Enerjisa Üretim Santralleri A.Ş.	63,937,714	17,317,704
Aksigorta A.Ş.	9,411,888	4,420,399
Sabancı Dx	2,103,831	1,873,482
Avivasa Emeklilik ve Hayat A.Ş. (3)	1,147,941	11
Enerjisa Enerji A.Ş. (3)	403,891	4,636,999
Ak Finansal Kiralama	378,820	-
Ak Yatırım	43,446	23,269
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	12,930	-
Teknosa	7,603	6,686
Sabtek-San	-	2,889
Other	233,228	-
	77,681,292	**28,281,439**

Interest income from related parties

	1 January- 31 March 2020	1 January- 31 March 2019
Akbank T.A.Ş. (2)	4,689,918	1,027,861
	4,689,918	**1,027861**

Interest expenses from related parties

	1 January- 31 March 2020	1 January- 31 March 2019
Akbank T.A.Ş. (2)	(11,056,079)	(9,436,463)
	(11,056,079)	**(9,436,463)**

Compensation benefits to the top management

Total amount of compensation benefits paid to the Chairman and the members of the Board of Directors, general manager, general coordinator and deputy general managers, is TL 3,715,102 (31 March 2019 – TL 2,199,427). The contributions paid to Social Security Institution are TL 293,013 (31 March 2019 – TL 152,084),

(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 ("TL"), unless otherwise indicated.)

29. FOREIGN CURRENCY RISK

As of 31 March 2020 and 31 December 2019, the Group's foreign currency position in terms of the original currency is as follows:

	31 March 2020				31 December 2019			
	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
Trade receivables	247,129,684	29,115,348	7,667,943	259,356	198,844,035	26,853,698	5,553,867	307,484
Monetary financial assets	384,526,770	23,769,571	31,257,964	511,056	151,740,580	7,817,898	15,064,853	657,158
Other	59,021,728	2,263,564	6,136,154	-	60,363,341	2,727,396	6,637,473	2,429
Current Assets	**690,678,182**	**55,148,483**	**45,062,061**	**770,412**	**410,947,956**	**37,398,992**	**27,256,193**	**967,071**
TOTAL ASSET	**690,678,182**	**55,148,483**	**45,062,061**	**770,412**	**410,947,956**	**37,398,992**	**27,256,193**	**967,071**
Trade payables	(111,137,152)	(14,877,720)	(1,913,508)	(48,148)	(46,730,866)	(5,286,452)	(2,249,644)	(47,168)
Financial liabilities	(788,052,872)	(21,918,967)	(89,428,813)	-	(526,184,183)	(21,493,798)	(59,920,417)	-
Other	(10,423,950)	-	(1,444,498)	(235)	(16,629,791)	(271,656)	(2,254,741)	(2,664)
Short Term Liabilities	**(909,613,974)**	**(36,796,687)**	**(92,786,819)**	**(48,383)**	**(589,544,840)**	**(27,051,906)**	**(64,424,802)**	**(49,832)**
TOTAL LIABILITIES	**(909,613,974)**	**(36,796,687)**	**(92,786,819)**	**(48,383)**	**(589,544,840)**	**(27,051,906)**	**(64,424,802)**	**(49,832)**
Net foreign currency asset liability position	**(218,935,792)**	**18,351,796**	**(47,724,758)**	**722,029**	**(178,596,885)**	**10,347,086**	**(37,168,610)**	**917,239**
Off balance sheet derivative financial instruments net asset/liability position	245,385,184	9,000,000	25,882,354	-	229,291,030	6,000,000	29,117,648	-
Net foreign currency asset / liability position for monetary items	**26,449,392**	**27,351,796**	**(21,842,404)**	**722,029**	**50,694,145**	**16,347,086**	**(8,050,962)**	**917,239**
Export	263,680,830	27,903,289	13,020,295	357,928	940,901,942	111,985,229	46,381,587	1,628,309
Import	68,382,030	10,861,807	210,394	-	202,086,746	34,288,780	1,213,784	-

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.

29. FOREIGN CURRENCY RISK (continued)

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

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

	Profit /Loss		**Equity**	
31 March 2020	**Foreign currency appreciation**	**Foreign currency depreciation**	**Foreign currency appreciation**	**Foreign currency depreciation**
1- USD net assets / liabilities	11.958.030	(11.958.030)	11.958.030	(11.958.030)
2- Hedged portion of USD risk (-)	5.864.400	(5.864.400)	5.864.400	(5.864.400)
3- USD net effect (1+2)	17.822.430	(17.822.430)	17.822.430	(17.822.430)
4- Net EUR assets/liabilities	(34.433.413)	34.433.413	(34.433.413)	34.433.413
5- Hedged portion of EUR risk (-)	18.674.118	(18.674.118)	18.674.118	(18.674.118)
6- EUR net effect (4+6)	(15.759.295)	15.759.295	(15.759.295)	15.759.295
7- Net GBP assets/liabilities	581.804	(581.804)	581.804	(581.804)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	581.804	(581.804)	581.804	(581.804)
TOTAL (3+6+9)	**2.644.939**	**(2.644.939)**	**2.644.939**	**(2.644.939)**

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

Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group's assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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

30. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

Fair value of financial instruments

Fair value is defined as the price that collected from the sale of an asset or payable in the ordinary course of business at the measurement date between market participants.
The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, estimates are necessary to interpret market data to determine fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

Monetary assets

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

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

Monetary liabilities

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

	31 March 2020	**31 December 2019**
Fair value difference reflects other comprehensive income / loss derivative financial assets and liabilities (*)	(46.764.863)	(40,075,167)
Total	**(46.764.863)**	**(40,075,167)**

	31 March 2020	**31 December 2019**
Fair value difference reflects over income / loss financial	47.902.978	41,387,407
Total	**47.902.978**	**41,387,407**

(*) Derivative instruments detailed in Note 18 consist of forward purchase / sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of March 31, 2020, the revaluation amount of the Group's hedged transactions is EUR 25,882,354 (2019:TL 57,058,824), which is presented in the consolidated statement of financial position as "Derivative financial assets" and "Equity"

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

Fair value of financial instruments (continued)

Fair value measurement hierarchy table

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

- Level 1: Financial assets and liabilities are measured at quoted market prices on the active market for identical assets and liabilities.
- Level 2: 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
- Level 3: 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

31. SUBSEQUENT EVENTS

Afyon Çimento Sanayi Türk Anonim Şirketi, subsidiary of the Company issued capital with the decision taken by the Board of Directories as of January 21,2020. As per the decision, issued capital of Afyon Çimento , which was TL 100,000,000 within the registered capital ceiling of TL 450,000,000, was increased TL 300.000.000 (300%) to TL 400,000,000.
In this context, an application was made to the Capital Markets Board on 27 February 2020 with the prospectus regarding the capital increase, and the prospectus of Afyon Çimento regarding the paid capital increase was approved at the meeting of the Capital Markets Board dated 2 April 2020 and numbered 19/434.

The new share purchase rights (priority right), which started on April 16, 2020, expired on April 30, 2020. At the end of this period, the priority right of shares with a nominal share of TL 1.256.211,168.- has not been used. These shares were transferred to Ak Yatırım Menkul Değerler A.Ş. and will be offered for sale with the price not less than 1 TL nominal value through Borsa İstanbul A.Ş.- Primary Market, for 2 business days between 06-07 May 2020.

As the first approved COVID-19 (Coronavirus) case seen in Turkey, as of March, the possible effects of the epidemic on the Company's activities and financial status have been monitored in all respects, and all the necessary actions have been taken to ensure that the Company is affected by this event in the least possible way. In this context,for those who needs to present at the facilities with shifts, strict health and safety measures have been implemented.

Necessary planning and scenario analysis are carried out to reduce the negative impact of this epidemic on the Company's business processes. In order to evaluate the potential effects of the social and economic situation arising from this epidemic on the Company, developments in the markets where we operate are closely monitored. In the next process, the necessary precautions will be taken by prioritizing the health of all stakeholders of the Company and business continuity.