ANNUAL REPORT 2019

çimentaş

CEMENTIR HOLDING

ANNUAL REPORT 2019

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CEMENTIR HOLDING

SUMMARY

1 INTRODUCTION

2 ANNUAL REPORT

3 CONSOLIDATED FINANCIAL STATEMENTS 2019

4 NOTES TO THE FINANCIAL STATEMENTS

1 INTRODUCTION

INTRODUCTION

This report is for presentation to 69th Annual General Assembly Meeting of Shareholders in the Company Çimentaş İzmir Çimento Fabrikası Türk A.Ş. that is to be convened at the Company's headquarters at the address of Egemenlik Mahallesi Eski Kemalpaşa Caddesi No.4B Işıkkent Bornova-İZMİR on 16 April 2020 at 11.30 to examine and approve the Company's operating results for the period 1 January 2019 to 31 December 2019.

AGENDA

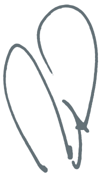
1. Opening and roll-call,
2. Formation of the presiding committee and authorization of the committee to sign the minutes and other meeting-related documents pursuant to article 16 of the company's articles of association,
3. Reading and deliberation of the annual report of the Board of Directors and the independent auditing firm,
4. Reading, deliberation, and decision concerning approval of the 2019 balance sheet, income statement and other financial tables,
5. Ratification of the co-optations made within the Board members during the period 2019 by the General Assembly as per article 363 of TCC,
6. Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities for the accounts and transactions of the company in 2019,
7. Deliberation and decision about the 2019 profit/loss,
8. Deliberation and resolution about approval of the Independent External Audit Firm assigned by the Board for the year 2019 and the acceptance of the independent external audit agreement,
9. Determination of the number and the period of the BoD members. Election of BoD members and independent Board members,
10. Deliberation and decision concerning the remuneration of the directors,
11. Information and deliberation concerning to permission to the Chairman and Board members in accordance with articles 395 and 396 of the Turkish Commercial Code,
12. Information and deliberation concerning the donations and charities made within the year 2019,
13. Deliberation and decision concerning the donations and charities to be made in the year 2020,
14. Information about guarantees given on behalf of 3rd parties,
15. Wishes, Closing.

CHAIRMAN'S SPEECH

Esteemed Shareholders,

As you know, the first three quarters of 2019 have been a period that we had experienced number of negative developments in Turkish economy and cement sector.
Despite the 6% of positive growth in the last quarter of 2019, Turkish economy has completed the year with a cumulative growth rate of 0,9% due to shrinkage in the first three quarters.
While the general economic picture is as above, the construction sector has contracted by 8,6%
When we analyse the cement sector in particular, despite the differences amongst the regions, while cement production has decreased by 22,9% and domestic sales has decreased by 30,8% in the fisrt 11 months of the year, export sales has increased by 51,6%. In the Group level, our domestic sales has decreased by 23,8 in 2019. In order to recover the decrease in domestic sales, we have focused on export markets and we have increased our export sales by 77,6% compared to previous year. In this respect total sales of the Group have decreased by 16,8% compared to previous year.
In spite of the developments that we had faced in 2019, which was a hard year, our company was able to manage the effects of those negative developments in a proper and effective way by its' strong financial structure and equity based financial management model.
We hope and expect that the growth trend in the last quarter of 2019 will continue in 2020 as well.
Considering the long-term scenarios, we see that Turkey holds great opportunities with its' young population, growing middle class and increasing infrastructure and superstructure needs.
We will continue to collaborate with the local management and local society where we are operating and keep positive relations with all our stakeholders and keep approaching to the society and to the environment with due care.
I would like to thank to all our employees and stakeholders who committed their beliefs and efforts for the success of our Company.

Taha Aksoy
Chairman of the Boar



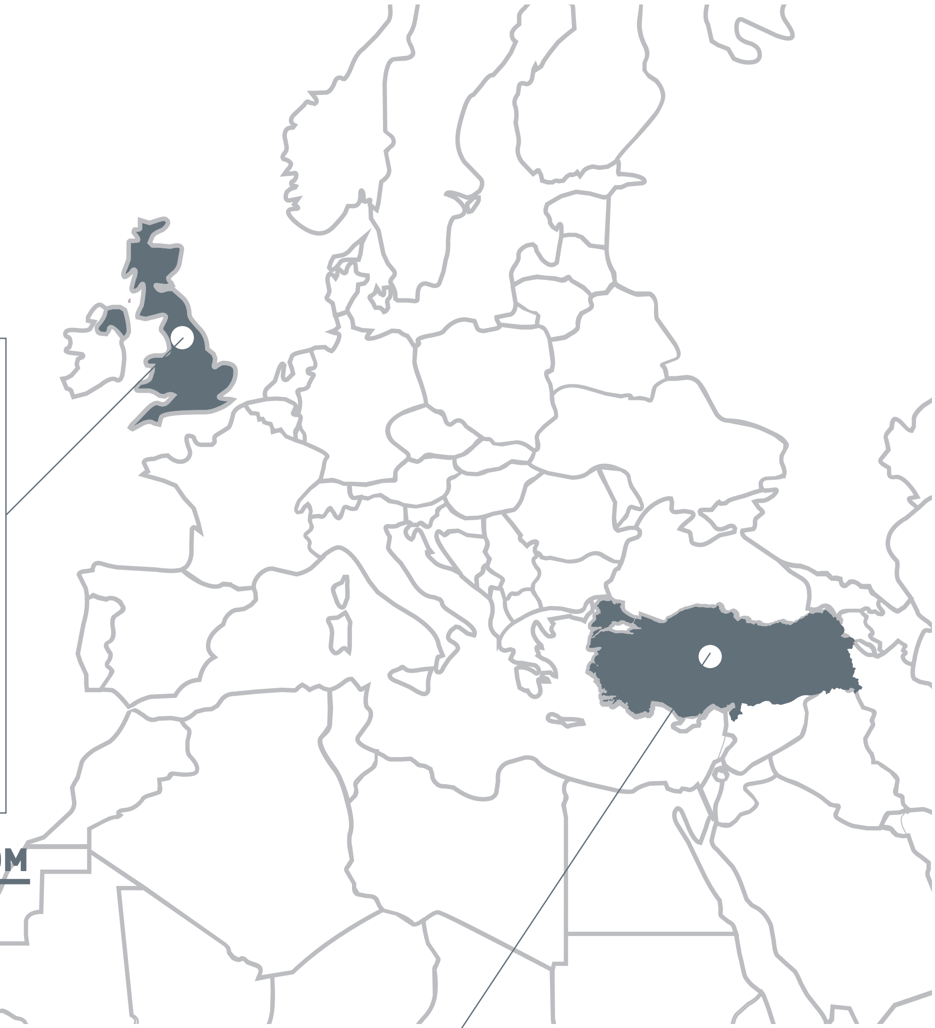
ÇİMENTAŞ GROUP

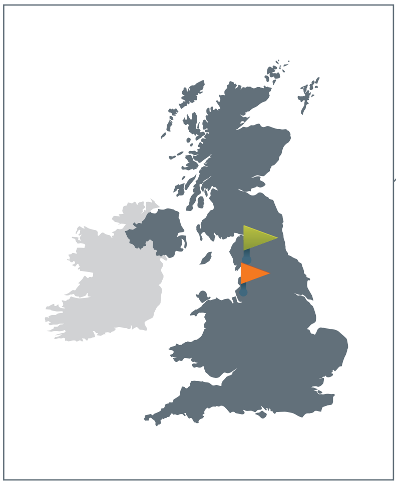
Founded in İzmir as the very first private cement plant of Turkey and the very first cement plant of the Aegean Region, Çimentaş was acquired in 2001 by the Cementir Holding.
Çimentaş is the most important affiliate of Cementir Holding with its cement plants located at İzmir, Edirne, Elazığ and Kars, 17 concrete plants throughout the country, businesses at İstanbul and Manisa and operations included in the largest and most modern waste management plants of Europe.
Çimentaş forms its responsible and sustainable operation approach under the highest occupational health and safety and environmental policies of the industry together with the group to which it is affiliated and wants all its employees to display behaviours complying with such policy. Çimentaş carries out its operations adopting internationally accepted standards as well as any relevant laws and regulations and aims at being recognised as a good neighbour through its contributions to the region besides being a responsible producer in its areas of activity.
In terms of production capacity, Çimentaş occupies top places amongst largest cement producers of the country, and with its partnerships and the companies it owns, Çimentaş Group is a very strong organisation which opens up from İzmir to the world. Çimentaş is now a Corporation which carries out and merchandises high-quality products with its production capacity, its own quarries and world-class modern integrated plants at home and abroad.

CEMENTIR HOLDING GROUP

Cementir Holding is an Italian multinational company specialised in the production and distribution of grey and white cement, ready-mixed concrete, aggregates and concrete products. It is also active in the management of urban and industrial waste. The company was formed in Italy in 1947 and is part of the Caltagirone Group. It has been listed on the Milan Stock Exchange since 1955 and is currently in the STAR segment.
Over the years the Cementir Group has grown through major investments and acquisitions throughout the world, becoming the global leader in the production of white cement. The Cementir Group is the only cement manufacturer in Denmark, the third-largest in Belgium and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia. Cementir is now present in 18 countries across 5 continents. Its strategy is aimed at increasing the integration of its business activities as well as geographical diversification.

GLOBAL PRESENCE





UNITED KINGDOM

Terminal: **1**
Waste: **1**

TURKEY

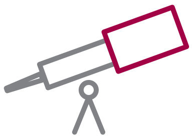
Grey cement production capacity: **5,4 million ton**
Grey cement plants: **4**
Ready-mixed concrete plants: **13**
Waste management facilities: **2**

Ready mixed concrete plants Waste Grey cement plants Terminals

IDENTITY

Cementir is an International Group that:

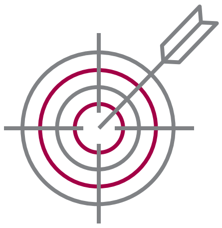
- aspires to be a product leader;
- believes that continuously seeking quality in every business process is the key to success;
- is dynamic on the market, constantly seeking new opportunities;
- gives importance to the growth of its employees, its shareholders and the communities in which it operates;
- believes in sustainable development and works to achieve it;
- believes that diversity is an element of strength and value on which to base its actions.



VISION

We want to maintain our uniqueness on the market through product segmentation and business diversification.

We want to create value, thanks to an agile organization capable of sustaining growth, respecting the environment and fostering integration with local communities.



MISSION

We develop our growth through product leadership and a continuous improvement of processes.

We work dynamically to seize the best opportunities, leveraging our know-how and our people's flexibility.

We adapt our organization to the territory where it operates, to increase its value and to ensure mutual benefit.

VALUES

Dynamism

We look beyond to anticipate and seize the best opportunities. Being dynamic and flexible is the feature that makes us unique on the market and allows us to quickly meet our customers' demands.

Quality

We engage and invest in constantly improving the quality of our products. We seek the efficiency and effectiveness of our processes.

Value of people

We build relationships with our employees and stakeholders that last over time. We believe it is our responsibility to recognize the merits and abilities of our people and anyone working with the Group.

Diversity and inclusion

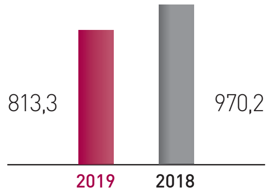
We consider diversity and inclusion a great asset. We work every day promoting diversity in all its forms and expressions.

Sustainability

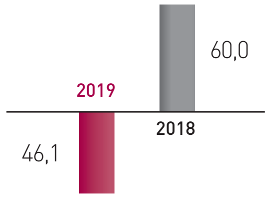
We believe that there can be no success without respect for the environment. We are responsible for the communities in which we live and work. It is our responsibility to take care of our property while safeguarding the environment and natural resources.

PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

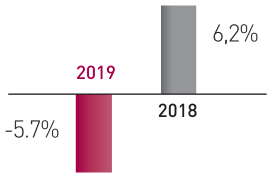
Revenue
(TL million)
+16.2%



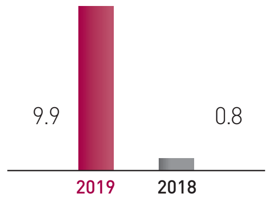
EBITDA
(TL million)
-176.9%



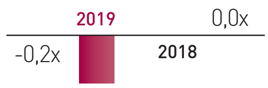
EBITDA Margin
(%)
-191.7%



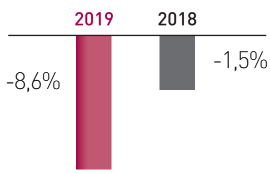
Net finansal borç
(Milyon TL)
9.1
milyon TL



Net finansal borç / FAVÖK



Özsermaye karlılık oranı
(%)



Performance highlights

('000 TL)	2019	2018	2017	2016	2015	2014	2013
Revenue	813.275	970.249	868.945	777.463	747.987	780.621	676.503
EBITDA	(46.143)	60.041	98.235	59.721	133.128	193.719	138.831
EBITDA Margin %	*-5,7%*	*6,2%*	*11,3%*	*7,7%*	*17,8%*	*24,8%*	*20,5%*
EBIT	(109.898)	3.481	38.600	(2.918)	69.497	132.055	83.138
EBIT Margin %	*-13,5%*	*0,4%*	*4,4%*	*-0,4%*	*9,3%*	*16,9%*	*12,3%*
Financial income / (expense)	(2.186)	(21.392)	2.353	(2.508)	(1.975)	423	-30.194
Profit / (loss) before taxes	(112.084)	(17.911)	40.953	(5.426)	67.522	132.478	52.944
Tax income / (expense)	8.240	(29)	(33.960)	(17.793)	(9.234)	(16.118)	(16.674)
Profit / (loss) for the year	(103.844)	(17.940)	6.993	(23.219)	58.288	116.360	36.270
Profit / (loss) for the period margin %	*-12,8%*	*-1,8%*	*0,8%*	*-3,0%*	*7,8%*	*14,9%*	*5,4%*
Group net profit/ (loss)	-82.756	-5.522	31.640	4.667	73.232	110.866	34.301
Group net profit/ (loss) margin %	*-10,2%*	*-0,6%*	*3,6%*	*0,6%*	*9,8%*	*14,2%*	*5,1%*

Financial and equity highlights

('000 TL)	2019	2018	2017	2016	2015	2014	2013
Net capital employed (a)	870.109	930.709	912.719	904.034	938.028	962.845	936.092
Total assets	1.700.594	1.740.935	1.567.200	1.500.017	1.539.627	1.482.668	1.402.618
Total equity	1.202.613	1.234.200	1.175.934	1.175.409	1.199.162	1.141.423	1.028.678
Group shareholders' equity	940.828	1.018.495	1.021.404	996.639	992.593	919.710	810.581
Net financial debt	9.904	773	20.855	19.429	22.730	44.350	89.081

(a) Intangible assets + tangible assets + working capital

Profit and equity ratios

	2019	2018	2017	2016	2015	2014	2013
Return on equity (a)	-8,6%	-1,5%	0,6%	-2,0%	4,9%	10,2%	3,5%
Return on capital employed (ROCE) (b)	-12,6%	0,4%	4,2%	-0,3%	7,4%	13,7%	8,9%
Equity ratio (c)	70,7%	70,9%	75,0%	78,4%	77,9%	77,0%	73,3%
Net gearing ratio (d)	0,8%	0,1%	1,8%	1,7%	1,90%	3,9%	8,7%
Net financial debt / EBITDA	-0,2x	0,0x	0,2x	0,3x	0,2x	0,2x	0,6x

(a) Net profit / Total equity
(b) EBIT / Net capital employed
(c) Total equity / Total assets
(d) Net financial debt / Total equity

Cash flows

('000 TL)	2019	2018	2017	2016	2015	2014	2013
Cash flows from operating activities (CFFO)	(45.046)	(78.062)	13.844	56.779	91.727	90.452	110.639
Cash flows from investing activities (CFFI)	(24.518)	3.567	(28.185)	(45.332)	(39.234)	(74.120)	(20.025)
Cash flows from financing activities (CFFF)	77.034	112.192	(384)	(19.994)	(32.038)	(33.865)	(53.176)
Free cash flow (FCF)	7.470	37.697	(14.725)	(8.547)	20.455	(17.533)	37.438

Employees and investments

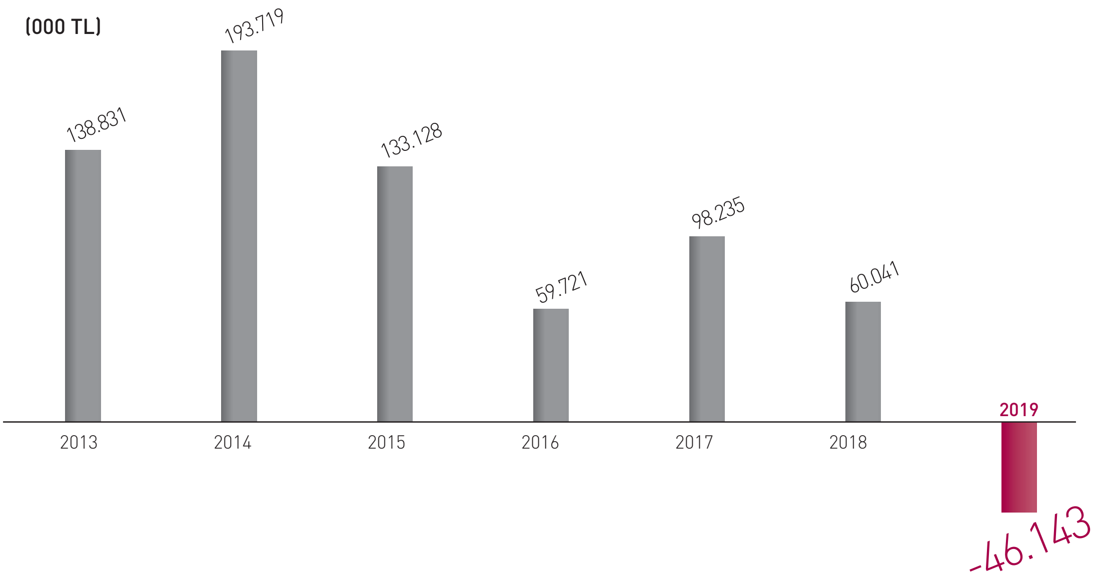
	2019	2018	2017	2016	2015	2014	2013
Number of employees (at 31 Dec.)	769	819	885	919	1.047	1.082	1.129
Acquisitions (000 TL)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Investments (000 TL)	30.247	46.235	38.342	46.827	58.038	83.707	87.985

Sales volumes

('000 TL)	2019	2018	2017	2016	2015	2014	2013
Grey cement (tonnes)	2.852.162	3.567.132	4.239.403	4.087.727	3.621.625	3.908.297	3.970.173
Ready-mixed concrete (m^3)	1.003.233	1.703.759	1.562.814	1.892.886	1.491.148	1.387.029	1.483.881

EBITDA performance

(000 TL)



2 ANNUAL REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

1. Opinion

We have audited the annual report of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 4 March 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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pwc

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, SMMM
Partner
İstanbul, 4 March 2020

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş
2019 ANNUAL REPORT

A- General Information

1. Accounting period
01.01.2019-31.122019

2. Corporate information

Company name	Izmir Çimento Fabrikası Türk A.Ş – ÇİMENTAŞ
Central Registration	
System Number	0257003253100019
Registration number	Commercial Register of Izmir – 20907
Contact details	www.cimentas.com
Head offic:	Egemenlik Mah. Eski Kemalpaşa Cad. No:4B Işıkkent Bornova İzmir
	Tel: 0 232 472 1050 Fax: 0 232 472 1055
Branch:	Sinanköy Mevkii Lalapaşa Edirne
	Tel: 0 284 1104 Fax: 0 284 323 1240
Branch:	İstasyon Mahallesi Yırca Yolu - Demiryolu Altı (Küme Evler) No: 1 Soma/Manisa

3. Shareholding structure and capital

Shareholder	Shares (TL)	%
Aalborg Portland Espana SL	85.198.814,11	97,80
Other/BIST	1.913.649,09	2,20
TOTAL	**87.112.463,20**	**100**

4. Members of the Board of Directors involved during the period

First Name-Surname	Title	Term
Taha Aksoy	Chairman	17.04.2019-17.04.2020
Marco Maria Bianconi	Vice Chairman	17.04.2019-17.04.2020
Mevlüt Cenker Mirzaoğlu*	CEO	10.06.2019-17.04.2020
Pasquale Vetrano	Member	17.04.2019-17.04.2020
İlhan F. Gürel	Member	17.04.2019-17.04.2020
Bahri Zuhal	Independent Board Member	17.04.2019-17.04.2020
Faruk Güler	Independent Board Member	17.04.2019-17.04.2020

* Mr Paolo Luca Bossi resigned from Board membership on 10.06.2019 Mr Mevlüt Cenker Mirzaoğlu has been appointed as CEO with the BoD resolution dated 10.06.2019 to be submitted for approval by the General Assembly.

AUTHORISATION LIMITS
Invested with the powers specified in Capital Market Law, Turkish Commercial Code, Articles of Association of the Company and other legislation.

5. The Executives in charge during the period

First name-surname	Title
Taha Aksoy	Chairman
Mevlüt Cenker Mirzaoğlu*	CEO
Ali İhsan Özgürman	CFO
Enrico Friz	GM responsible for waste business
Selçuk Kuntalp	Supply Chain Director
Kayhan Karabayır	Legal Affairs and Investment Relations Director
Gürol Özer**	Regional Industrial Centre Director
Ahmet Saryal	Commercial Director
Sinan İnaç***	Planning, Budget & Control Director
Melek Özen****	Human Resources Director

* Upon the resignation of Paolo Luca Bossi (The Board member and MD) Cenker Mirzaoğlu has been appointed as the Board member with the Board resolution dated 10.06.2019. With the same Board resolution Cenker Mirzaoğlu has been appointed as the CEO as well.
** As Sorin Bogdan has been appointed to another position within Cementir Holding, Gürol Özer has been appointed as Technical Affairs Director.
*** Mr. Sinan İnaç has resigned from his position.
**** Melek Özen has been appointed as the HR Director within the term.

6. Corporate Governance Committee

Bahri Zuhal	President
Marco Maria Bianconi	Member
Didem Hürcan	Member

7. Audit Committee

Bahri Zuhal	President
Faruk Güler	Member

8. Risk Committee

Faruk Güler	President
Marco Maria Bianconi	Member
Ali İhsan Özgürman	Member

9. Personnel

724 employees, including executives, were working in Çimentas Group Companies as at 31.12.2019. Neals Waste Management Holdings Ltd. located in the UK was acquired by our subsidiary, Recydia A.Ş, and employs 45staff, taking our total number of staff members to769.

A collective Labour Agreement for the years 2018 and 2019 has been agreed and signed by Çimento İşverenleri Sendikası and ÇİMSE-İŞ Sendikası resulting in an increase in salary and social benefits for blue-collar personnel. Salary and social benefits of other personnel has been determined based on merit and work performance while taking into consideration the financial status of the company.

10. Amendments to the Articles of Association during the period

There were no amendments to the Articles of Association during the period.

11. Issuance of securities during the period and related obligations

Since there were no securities issued during the period, there are no potential financial obligations for the company.

12. Subsidiaries and shareholding percentages in subsidiaries

Subsidiary	Shares (TL)	%
Çimbeton A.Ş.	890.042,00	50.28
Kars Çimento A.Ş.	213.194.408,92	41.55
Recydia A.Ş.	180.160.293,00	23.72
Destek A.Ş.	49.993,00	99.99
Yapıtek A.Ş.	286.498,52	2.00

B-BENEFITS PROVIDED TO THE TOP EXECUTIVES

A decision was made during the ordinary General Assembly meeting of the company for the year 2017 that each member of the Board of Directors was to be paid a 2000 TL gross fee for each board meeting attended and no fee other than this has been paid to the members of the Board of Directors.
The total amount of benefits provided to the senior management of the Cimentas group is 11,567,445 TL.
On behalf of the company, the total amount of all benefits provided to the top executives during the year 2019 was 9,177,118 TL.

C- R&D ACTIVITIES

R&D activities have been carried out at Cimentas Group with our İzmir, Elazığ, Kars and Trakya Cement Plants within the scope of quality improvement, customer satisfaction, environmental protection and cost reduction. These activities are listed below:

Scope	Plant	R&D activity
Environmental Protection, Sustainability, Cost Reduction	Izmir	**Use of Waste Plaster Instead of Natural Plaster:** The effect of increasing waste plaster usage rate on product quality and ready mixed concrete quality will be examined. Infrastructure investments required to feed the maximum level determined as a result of the investigation into the system will be planned. With the increase of waste plaster usage amount, natural gypsum resources will be protected and contribution will be made to sustainability.
Sustainability, Cost Reduction	İzmir, Trakya	**Use of Slag Instead of Natural Iron Ore:** Instead of the natural iron ore used in the clinker production process, the use of slag waste generated in iron-steel and similar industrial plants was investigated. In this context, laboratory test studies have been carried out. In case of positive results, both cost reduction and protection of natural resources are aimed.
Environmental Protection, Sustainability, Cost Reduction	Elazığ	**Use of Marble Waste:** The use of marble waste instead of limestone used in the clinker production process was investigated. In this context, laboratory test studies have been carried out. With the positive results of the studies, both cost reduction and protection of natural resources were ensured.
Environmental Protection, Sustainability, Cost Reduction	İzmir	**Base Ash Usage:** Base ashes formed in thermal power plants and textile sector have the ability to substitute for raw materials used in clinker production process. It is aimed to reduce the use of clay with the use of base ash. In this way, the bottom ashes that are formed are not only brought into the economy but also preventing the base ash from being stored in nature and causing environmental pollution.
Quality Improvement and Sustainability	Trakya, Elazığ	**Mineralized Clinker Production:** It is aimed to form the clinker crystals at lower temperatures with the help of minor additives and increase clinker quality. By adding minor additives to the raw material, it is aimed to reduce fuel and electricity consumption, thereby reducing carbon footprint.
Product Development	İzmir	**Low Alkaline Clinker Production:** In order to develop its product portfolio and increase its export potential, low alkali content raw materials were found and industrial trial production was carried out.

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Scope	Plant	R&D activity
Environmental Protection, Cost Reduction	Çimentaş Group	**Increasing the Use of Alternative Fuels and Alternative Raw Materials:** It is aimed to increase the use of alternative fuels and alternative raw materials, as it will reduce production costs and have positive effects on the environment.

D- INFORMATION REGARDING COMPANY ACTIVITIES

1. Production activity of the company

The Çimentaş Group conducts cement production through four clinkers/cement production plants located in İzmir, Edirne, Kars and Elazığ. These plants are active in different regions of Turkey. The Kars and Elazığ plants have legal status, whereas the plant in Edirne is structured as a branch.

The company performs production activities at the İzmir plant using two rotary kilns. Clinker production at the Edirne Plant is conducted using one kiln with calciner. Clinker production is performed using one kiln with pre-heat at the Kars Plant and one kiln with calciner plus one kiln with a semi-dry process at the Elazığ Plant. The cement grinding capacity of the plants is higher than the clinker production capacity. The clinker production capacity is as follows:

Plant name	Annual clinker production capacity (tons)
Çimentaş-İzmir	1,801,848
Çimentaş-Trakya	990,000
Elazığ Çimento A.Ş.	1,000,000
Kars Çimento A.Ş.	435,000

2. Investments

In 2019, the Investment Committee focused on increasing existing equipment efficiencies in the Izmir factory, improving environmental and improving maintenance and repair processes. In Edirne facilities, it focused on projects to improve the use of Alternative Fuel. The Elazıg and Kars plants are maintained in order to stand at current efficiency levels.

By integrating the internal CAPEX approval and cost controlling procedure, project classification and criticality tools have been actively applied to define the best optimization projects according to individual plant needs and supporting group requirements.

- While planning 2019 investments, we generally focused on contributing to current process optimization, usage of alternative fuels and raw materials, the environment, occupational safety and worker health.
- Investments to be made in 2020 will focus on projects that can provide rapid results, which will contribute to the improvement of existing factory performance and reduction of production costs with the same perspective. These investments will also contribute to the environmental improvement of our factories.

3. Internal control and independent audit

The Internal Audit Function at Cementir Holding conducts the company's internal control and audit processes. There is a Budget Planning & Controlling department at the company where the company's activities and transactions are audited to verify whether they are in compliance with the law. Procedures and activity results are also checked to verify whether they are in compliance with the budget and/or plans.

Both departments have been operating efficiently and actively. They duly inform the related departments on time. By doing so, they demonstrate great performance by taking precautionary measures, implementing and enhancing additional operations.

Our company was audited by the independent auditing company PwC during this fiscal year and received a positive report.

No lawsuits were filed against the company, which would have adversely affected its financial situation and operations.

No administrative or judicial sanctions were applied against the company or the members of the Board of Directors on the basis of practices violating legislative provisions.

Objectives set by the company were achieved within the 2019 period and the resolutions of the General Assembly were carried out.

4. Donations and remittance

The consolidated amount of donations made on behalf of Cimentas Group was 752.746,29 TL.

The total amount of donations made on behalf of the Company in 2019 was 310.744,79TL, consisting of 308.214,28TL in cash and 2.530,51TL as commodities.

5. Information on production and sales

As seen from the growth numbers of the first nine months of 2019Turkey has seen growth of 0.9% overall. The growth expectations for 2020 are around 2.5%. However the construction sector has contracted by 8,6% in 2019. Although there are regional differences, the cement sector decreased by 22,9%, domestic sales decreased by 30,8% however export sales increased by 51,6% for the first 11 months. Our company, taking both the regions where it is active and the differences in market conditions into account, and compared to the previous year domestic sales decrease by 23,8% however export sales increase by 77,6%.

Within this context, total group sales decreased by 16,8% compared to the same period of the previous year.

6. Main factors affecting the performance of the sector and the business

Energy makes up more than 50% of costs at all enterprises in the sector and at our company. This includes fuel and electricity. In this respect, energy management and cost is a delicate matter for the sector. The price increases in electricity and f/x rate fluctuations and/or price increases on coal and petcoke affects the competitiveness and productivity of the sector.

We need to use current resources more efficiently by taking into consideration that the demand for electricity will increase in the future due to a rapidly increasing population. In the meantime, incentives for waste management should be improved in order to increase the use of alternative fuels in the sector.

One of the most delicate issues for the sector is the licensing of raw material sources and sustainability of the same. Accordingly, we have been following the legal and practical developments very closely.

Urban transformation projects to be implemented as part of the "Law regarding the Transformation of Places Located in Disaster Areas" is a significant potential for the sector.

On the other hand, a 48.9% decrease in the construction license (in terms of size/sqm) in 2018, and also in 2019, there is a 52,4 % drop in the construction license compared to the previous year is considered a factor that will negatively effect the performance of the sector. It is anticipated that, this negative effect will continue in 2020.

The market shrinkage in the domestic market in 2019, brought the sector to turn to export markets.Similarly, it is expected that export opportunities will be evaluated in 2020.

7. Result section of the commitment report

IT, management consultancy, administrative support and trademark usage services, which are listed in the report provided by the parent company, are in compliance with market practices. In this regard, no damage has been sustained by the company and no harmful act has been done/committed by the management of the parent company.

E- FINANCIAL POSITION

1. Basic ratios

There is no value not recorded in the financial statements as per the Capital Market Legislation and Accounting Standard. Our company has not experienced technical bankruptcy or is overly in debt. The ratios compared with the previous year are as below:

Rate	2019	2018
Current rate	1.53	1.66
Liquidity rate	1.13	1.08
Liabilities/assets	0.29	0.29
Liabilities/equity	0.41	0.41
Equity/assets	0.71	0.71
Profitability by sales	0.02	0.13

2. Profit and investment policies applied by the company in order to strengthen the performance of the company

The key point for strengthening the company's performance is a financial policy mainly based on equity capital. Our main shareholder, Cementir Holding S.p.A, recognizes this policy and supports the company's application of it aimed at using equity capital for cost-decreasing investments. This approach is effective for achieving the sustainability of the profit margin. Our company, by distributing profit over the market conditions via ready money or free stock certificates, creates a higher premium performance for its partners with the increase in the share value.

3. Financial resources and risk management policies

The financing of investments and the company's needs are mainly met with equity capital. If the need arises, the company uses short-term Turkish Lira loans or foreign-currency loans.
The risks that can be faced by the company are audited by specialized groups in accordance with the main shareholder's policies.

F- EVALUATION OF RISKS

Risk Management, which is also a management function, has become legally necessary following the enactment of the new Capital Market Law and Turkish Commercial Code. Article 378 of the Turkish Commercial Code sets forth that the "Board of Directors in publicly held companies is responsible for: pre-determination of the reasons that could endanger the continuance and development of the company, implementation of necessary solutions in order to prevent the risks, formation of a committee and making such systems function and improve".
In order to develop the current risk management skills and align with article 378 of Turkish Commercial Code: a "Risk Committee" was formed within Çimentaş in November 2012. The committee members are Mr Faruk Güler, Mr Marco Maria Bianconi and Mr Ali İhsan Özgürman for 2019. Risk Committee meetings are held periodically, and a report is submitted to the Board of Directors.
In this regard, a "Risk Management Project" was implemented in 2013. Within the scope of this project, risk

inventories have been prepared; risks have been prioritised and evaluated by using the appropriate risk methodology in compliance with the internationally recognised "COSO Corporate Governance". As a result of such evaluations, risk maps have been created; roles and responsibilities including the steps of monitoring and reporting have been defined and documented. The Risk Committee works based on this methodology.

REPORT ON THE APPLICATIONS OF CORPORATE GOVERNANCE PRINCIPLES

SECTION I- DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company implements all the necessary corporate governance principles contained in the annex of the provisions communiqué related to the determination and the implementation of Corporate Governance Principles II-17.1 of the Capital Markets Board, during the year 2018. There are non-compulsory principles, some of which are contained in the Turkish Commercial Code and some are waived based on the structure of the sector and the management structure of the company. Remarks on the subject are provided below.

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

The "Legal Affairs and Investor Relations Department" conducts relations with shareholders in coordination with the "Finance Directorate".

The primary activities of this department have been focused on conducting relations with either shareholders or the Capital Markets Board ("CMB") and the Istanbul Stock Exchange ("ISE"). Accordingly, monitoring the company's stock certificates, transactions related to shareholders' rights, disclosure of special events to the public and arrangement of General Assembly meetings of the company are handled by this department.

The authorized person is Didem Hürcan who has a Capital Market Activities Level 3 License numbered 209900 and Corporate Governance Rating License numbered702104. The director of the Investor Relations Department is Kayhan Karabayır. This department can be reached at hukuk@cimentas.com via email or at 0.232.472 10 50/extension 1402 extension.

16 applications have been received from individual and institutional investors as well as intermediary entities and replied to, and the requirements of the relevant parties have been met within the period.

2.2 Shareholders' rights regarding acquisition of information

Requests for information received by the company from shareholders, as well as investors and intermediary entities, have been especially intense in terms of requests for the report on operations as well as the 2019 General Assembly meeting and the performance of the company with regards profit distribution issues. These requests have been met by providing the necessary explanations and documents.

Studies related to publishing the developments concerning the utilization of rights by shareholders through electronic media are still in progress. Updates related to the subject are made available on the company's website. Such developments are announced within the framework of legal regulations which are presently in force.

The appointment of a private auditor was not regulated as an individual right within the scope of the Articles of Association, and no request for the appointment of a private auditor was received within the period. Çimentaș is periodically audited by an independent external audit firm within the context of Capital Market Law. On the other hand, systematic auditing of the group is periodically conducted by the Internal Audit Function within the framework of a specific programme. A regulation on the subject is also available in the new Turkish Commercial Code article 438.

2.3 General Assembly meetings

During the period, the Ordinary General Assembly meeting for the year 2018 was held on 17th April 2019 and 98% participation was recorded at the Ordinary General Assembly for the year 2017. Before the General Assembly meeting, the agenda, information about company activities and the financial statements were communicated to the shareholders on the company's website. Shareholders used their questioning rights during the meeting. Information about donations made during the period was given to the shareholders as part of a separate agenda item. The Articles of Association do not contain a particular provision related to the quorum so the relevant provisions of Turkish Commercial Code (TCC) were applied.

Invitations to the General Assembly meeting are published as required by the provisions of the Turkish Commercial Code and Capital Markets Law and are also published on the company's website three weeks prior to the meeting. Registration proceedings for shareholders to participate in the General Assembly are conducted under the provisions of the TCC and Capital Markets Law.

Information related to the Ordinary and Extraordinary General Assembly meetings is made available for shareholders to review at the company headquarters pursuant to the Turkish Commercial Code.

In order to facilitate the participation of shareholders in the General Assembly, in addition to announcements and publications, due diligence is exercised to ensure access to information on the issues constituting the agenda of the General Assembly and requirements of legal regulations are complied with.

Media operators are also invited to the General Assembly meeting and they attend.

Minutes and documents related to the General Assembly meetings are made permanently available for shareholders to review at the company headquarters.

2.4 Voting rights and minority rights

Company shares do not provide voting privileges and each share gives only one voting right to its holder.

To resolve issues regarding voting by companies which have a mutual participation relation, the rules of "disfranchisement" stated in the Turkish Commercial Code are applied.

Since the number of minority shares in the company is low (around 2%), they are not represented in the management.

The Articles of Association of the company do not contain a provision for the method of cumulative voting in the election of the Board of Directors and statutory auditors.

2.5 Profit distribution policy and profit distribution timing

A written company profit distribution policy has been drafted and approved by the Board of Directors and the issue has been regulated explicitly in detail in the Articles of Association. With regard to the share of the company's profit, founder certificate holders have privileged rights, so, after deduction of taxes and legal liabilities, as well as losses of past years, from net profit and after allocation of 5% legal reserve as per article 519 of the Turkish Commercial Code and 50% for the first dividend under Articles of Association, 10% of the remaining dividend amount is distributed to the founder certificate holders.

Although the communiqué published by the Capital Markets Board gives a rate of 20% for first dividend, the rate is set at 50% in the Articles of Association of the company as specified above. This circumstance is the result of the policy aimed at maximizing the profit share rights of the shareholders. This policy is applied under consideration of the economic conditions of the country and the present situation of the company. Legal periods in profit distribution are strictly followed.

The Board of Directors' profit distribution proposal is submitted to the shareholders as information via special event disclosures prior to the General Assembly meeting and are also stated in the activity report. In cases of non-distribution, information regarding the reason and usage of the non-distributed profit is given in the General Assembly.

2.6 Assignment of shares

Since all company shares were converted into bearer shares upon modification of the Articles of Association as resolved in the Ordinary General Assembly meeting for the year 2005. A particular provision restricting assignment of shares does not exist.

SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Company website

A website named www.cimentas.com, established in the name of our company, was activated during the year 2009. The content of the website has reached the level established by the Principles of Corporate Governance thanks to improvements made since early 2012. Information on the website is updated continuously. The company's press documents are provided on the website. Information on the website is also available in English as necessary, taking into consideration the needs of international investors.

3.2 Annual report

Information on the corporate governance principles are featured in the annual report.

SECTION IV- STAKEHOLDERS

4.1 Information on the company policy relevant to the stakeholders

Relations between stakeholders and the company are entirely based on written agreements, while relations and operations between the parties are governed within the framework defined by the agreements. In cases where agreements do not exist, the parties' interests are preserved within the framework of legislation and goodwill rules and the company's options.

Stakeholders are informed about subjects pertaining to them by the company, with meetings organized by the company and through e-mails.

4.2 Support for stakeholder participation in management

Information on the company and its activities is given during the meetings held both with personnel and other stakeholders from time to time. In addition, although no model regarding participation of the personnel in management and disclosures has been established, expectations, complaints and suggestions from the personnel and the customers are collected through surveys and enquiries conducted with the personnel and the customers. Corrective and regulative actions are taken based on the findings which are evaluated and prioritized by top management.

4.3 Human resources policy

Çimentaş Group seeks to build a competent community of managers and employees through the improvement of organizational efficiency and individual skills in the workplace, in order to create a unique difference and competitive advantage.

The basic guidelines of company HR policy is summarized under the headings below.

(i) Recruiting and employment; Raising quality by employing new staff and continuously increasing the current labour quality.

(ii) Training; Focusing on training courses for the purpose of developing the current human resources.

(iii) Remuneration; Developing a remuneration system that also takes market conditions into account.

(iv) Activities increasing motivation and communication; Creating events and programmes to raise loyalty and working motivation of employees.

The process of recruitment and replacement is performed to the same standards within all Çimentaş Group companies and equal opportunities are provided to applicants. Job applications are collected through online sites and our website which can be reached easily. Pre-selection criteria determined specially for each job and stated in the job description are implemented in the same way for all applications and predefined standard tests are given to all candidates who meet the initial qualifications and those results are taken into consideration.

Training to increase the knowledge, skills and experience of employees is planned at the beginning of each year and applied fairly and equally in accordance with the approved budget. Training needs are planned for and applied individually in line with the performance evaluation results for management positions. Furthermore, group training is planned in accordance with the needs of the department and team.

The Cement Industry Employer's Union Collective Labour Agreement is applied in Çimentaş. A Company Union Representative is selected according to the law from among the employees working in the place of business included within the scope of Cement Industry Employer's Union Collective Labour Agreement.

The Union Representative's duties are to:

i. Provide solutions to conflicts and complaints arising from the implementation of the collective labour agreement raised by the employer or the employee by negotiating with the employee and the employer.

ii. Protect employee rights and laws, ensure compliance with the employer's rights in accordance with this agreement and legislation provisions.

iii. Assist the employer in implementing the training that will be conducted in the workplace or outside by the employer in order to increase employee knowledge and proficiency and ensure the participation of the employees.

iv. Provide the continuance of good industrial relations through cooperation between the employer and the employee and facilitate work harmony in the workplace.

The job descriptions of white-collar employees in Çimentaş Group companies were established in 2009 and have been communicated to all our employees. Revisions are implemented if required in cases of organizational modifications. Blue-collar employees work with the job classifications and descriptions of the union.

Systematic job classifications and market conditions are taken into account in determining the remuneration and other benefits of white-collar employees. Job evaluation, job groups and job titles determined by the Cement Industry Employer's Union are applied for blue-collar employees and the provisions of the Collective Labour Agreement are complied with.

Decisions made within the company and developments in the company are communicated to our employees through the union representative, notice boards, internal and group websites (Cementir Holding Cnergy, Çimentaş Group Intracim), internal and group media organs (Cementir Holding Voice, Çimentaş Group Habercim). Information sharing between the management positions takes place during the Management Communication meetings that Çimentaş Group Managers attend and that are conducted quarterly. Demands and reformations received from the Occupational Health & Safety sub-committees are communicated during the Occupational Health & Safety committee meetings conducted regularly each month. The workplace representative transfers the decisions of the Occupational Health & Safety committee to the employees and submits the requests and proposals received from the employees to the committee. No discrimination based on race, religion, language and sex is permitted in Çimentaş Group companies.

No complaint has been received related to discrimination or physical or psychological harassment in our companies.

4.4 Codes of Conduct and social responsibility

There is a Code of Conduct that has been accepted and approved by the Board of Directors and implemented by our main shareholder Cementir Holding. This regulation has been published on the company's website.

With regards social responsibility culture and understanding, the company has sustained its support especially in the fields of training, health and sports over the years through the ÇESVAK Foundation.

Moreover, no penalties related to environmental issues were reported within the period. All permits and licenses necessary to carry out the company's activities exist and are renewed as needed.

SECTION V- BOARD OF DIRECTORS

5.1 Structure of the Board of Directors

Members of the Board of Directors

Taha Aksoy	Chairman
Marco Maria Bianconi	Vice Chairman
Mevlüt Cenker Mirzaoğlu	CEO
Pasquale Vetrano	Member
Paolo Luca Bossi	Member
İlhan F. Gürel	Member
Bahri Zuhal	Independent Member
Faruk Güler	Independent Member

All members of the Board of Directors meet the qualifications determined by the CMB Corporate Governance Principles. There is no special provision regarding the qualifications of the members of the Board of Directors in the Articles of Association.
Most of the members of the Board of Directors are non-executive members. Independent members will take part in the 2017 Ordinary General Assembly meeting as per the Capital Markets Board Regulations and Corporate Governance Principles.

Brief CVs of the BoD members

Taha Aksoy started his career as an assistant at METU and then went to Munich Technical University. He worked as 'General Manager' at Betonsan A.Ş., Çimentaş Gazbeton İşletmeleri and Beşer Balatacılık. He worked as a member of the Turkish National Assembly Parliament 2007-2011 and recently he worked as 'General Coordinator' at the 17th Mediterranean Games and Mersin 2013.
Taha Aksoy graduated from METU as a Construction Engineer and has an MSc from the same university.

Marco Maria Bianconi started his career at IRI Rome in 1989 and later worked as 'Portfolio Director' at Fidelity Investments, as 'Capital Market Analyst' at Pan European Equities, 'Finance Director' at Caltagirone S.p.A, and 'Budget and Controlling Director' and 'M&A and IR Director' at Cementir S.p.A. He is currently working as a 'Business Development Director' at Cementir Holding S.p.A.
Marco Maria Bianconi graduated from Luiss University as an Economist and has an MA in Business Administration from New York University School of Business. Marco Maria Bianconi can speak Italian, Spanish and English and has 'Chartered Accountant' and 'IMC' certificates.

Pasquale Vetrano started his professional life in SACE SUD where he was responsible for the Low Voltage Switchboard Production Unit between 1985 and 1988. He worked as 'Construction Business Unit Manager' in Comes SpA between 1989 and 1991. Then he worked in Nuova ESI SpA as 'Technical and Operation Director' until 1995. Between 1996 and 2009 he worked in ABB Sace SpA as 'Head of Business Unit's Breakers & Switches Supply Chain and Logistic'. He took on the role of 'Division Low Voltage Products Supply Chain Manager' and 'Vice President' in ABB Group until 2011.
Mr. Pasquale Vetrano has filled the role of 'Chief Strategic Sourcing Officer' in Cementir Holding since 2011.
Pasquale Vetrano graduated from the Electrical Engineering Faculty of Polytechnic University of Frederik II Naples in 1985. He received his MBA Master's degree in 2010.

Mevlüt Cenker Mirzaoğlu has more than 20 years of professional experience, gained in the construction, cement and ready-mix sectors. He started his professional life in BetonSA, one of Sabancı Group companies, as Strategy & Business Development Associate and he took several managerial roles in Akçansa and Çimsa domestic and international operations in the areas of strategy, business development, R&D and general management. He joined Çimentaş Group as General Manager of Çimbeton A.Ş. in 2011 and then he was appointed as Sales & Marketing Director of Çimentaş Group. In 2015 he joined ÇİMKO Cement and RMC as General Manager and became CEO and Board Member in 2017. As of June 2019 he rejoined Çimentaş Group as Board Member and CEO of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. Cenker Mirzaoğlu graduated from İstanbul Technical University, Metallurgical and Materials Engineering Department.

İlhan F. Gürel is currently Deputy Chairman of the Board of Directors at Sünel TTAŞ, Chairman of the Board of Directors at Kütaş Food Group and Gürel Gayrimenkul A.Ş. and member of the Board of Directors at Ege Endüstri Ve Ticaret A.Ş. and CJSC Sünel Tobacco.
İlhan f. Gürel graduated from Newcastle University as a Mechanical Engineer and earned an MA from Durham University.

Bahri Zuhal started his business life in Yaşar Holding and he gained professional international experience in the production and marketing of group products with a focus on paint and textile chemicals during his career. His responsibilities included analysing and preparing pre-marketing research for rolling out international offices and developing relevant business strategies. Afterwards, he worked at Cementir Holding Cimentas Group and he has held senior management positions in various departments, international and national work areas from 1998 until the end of 2011. Most recently, he held the position of Director of the Ready Mix Concrete Division for the Turkey operations where he coordinated the production, logistics, and marketing of various products.
Bahri Zuhal graduated from Aegean University and has a Bachelor of Science in Chemistry. He has full proficiency in English, French and knowledge in Russian, Urdu and Arabic.

Faruk Güler: Dr. Faruk Güler worked as an assistant and researcher at METU, the Scientific and Research Council of Turkey and Exeter University in England between 1974 and 1980. He lectured at METU between 1980 and 1984 and worked as a researcher at the University of Alberta in Canada.
Dr. Faruk Güler joined the private sector as the 'Section Manager' responsible for ARGESA and the Research and Development Department in KORDSA Inc. of Sabancı Holding Inc. between 1984 and 1986.
Dr. Güler then went on to serve in senior executive positions in Branta Mulia Tire Cord Inc., founded in Indonesia with American-Indonesian partnership, between the years 1986 and 1991, and later in the Thailand branch of the same group between 1991 and 1996.
He returned to Turkey in 1996 and took up the position of 'General Manager' in CBS Paint and Chemical Inc.
Having been appointed to the position of 'General Coordinator' at Abalıoğlu Holding Inc. in 1999, Dr. Faruk Güler held the office of Chief Executive Officer (CEO) for Abalıoğlu Holding between 2003 and 2013.
Dr. Güler also served as a Board Member at Er-Bakır Electrolytic Copper Products Inc., Dentaş Packaging and Paper Industry Inc., Dentaş Paper Industry Inc., Abalıoğlu Textile Industry Inc., CSA Textile Egypt S.A.E., Filidea Textile Industry Inc. and SC Dentaş Romania SRL.
Dr. Faruk Güler has been serving as the Chief Executive Officer (CEO) of ESBAŞ - Aegean Free Zone Development & Operating Co. and as Vice Chairman of the Board and CEO of MOPSAN Construction Company since January 2013.
Faruk Güler graduated from the Chemistry Department of Middle East Technical University (METU) in 1975. He received his Master's and PhD degrees in 1978 and 1980, respectively. Dr. Faruk GÜLER speaks fluent English.

Since the Candidate Presentation Committee has not been formed, Mr. Bahri Zuhal and Mr. Faruk Güler, who have been selected by the Corporate Governance Committee and approved in terms of independency, have been presented as independent member candidates to the Board of Directors with a report dated 04.03.2019 and approved at the Board of Directors Meeting on 05.03.2019 Independent members presented their independency statements in accordance with relevant legislation, and they have preserved their independence criteria.

The situation whereby Board of Directors' members and company managers assume positions outside the company has been provided for in the Company Ethics Rulebook.

Since members of the Board of Directors have no duties outside the group organization, there is no need to determine a rule for such duties.

5.2 Activity principles of the Board of Directors

As some of the members of the Board of Directors are located abroad, meetings of the Board of Directors are usually performed without being convened in person, but by video-conference.

There were 11 meetings of the Board of Directors in the period.

There were no questions or opposing opinions from members of the Board of Directors. Since there was no unfavourable vote, there was no dissenting opinion in the minutes of the meeting.

The date of the Board of Directors meeting, agenda and annotations related to the agenda together with information documents were delivered to the members of the Board of Directors prior to the meeting as per the "Corporate Actions Management" procedure.

Each member has only one voting right. There is no cumulative vote or negative veto right in the Board of Directors.

During the meetings of the Board of Directors, all subjects are resolved through detailed and clear discussion. The provisions of TCC are applied regarding the quorum.

Prohibition of activities in competition with the company is not applied to the members of the Board of Directors based on the permission of the General Assembly within the period. Moreover, these persons have not entered deals that would treat the company unfairly or performed any activity which required entering into competition with the company.

Related party transactions have been submitted for approval to the independent board members but there are no significant transactions.

5.3 Committees established within the company

The "Audit Committee", "Corporate Governance Committee" and "Risk Committee" were established by the members of the Board of Directors.

The Audit Committee is composed of two members and independent board members Bahri Zuhal and Faruk Güler were elected by the BoD as members.

Independent board member Bahri Zuhal was elected as the chairman of the Corporate Governance Committee and board member Marco Maria Bianconi and Gökçe Oyal Püskülcü, who works in Legal Affairs and Investments Relations, were elected as the members.

Independent board member Faruk Güler was elected as the chairman of the Risk Committee and board member Marco Maria Bianconi and Financial Affairs Deputy Director Vedat Özer were elected as the members.

The working principles of the committees established by the members of the Board of Directors are determined and disclosed to the public by the BoD.

5.4 Risk management and internal control mechanisms

The "Risk Committee" was established by the Board of Directors and has started to function.

There is an internal audit function within the group and there are mechanisms related to internal control and audit.

5.5 Strategic purposes of the company

The mission, vision and purposes of the company are established by the BoD. These purposes are established as part of five year plans and reviewed each year.

5.6 Financial rights provided to the Board of Directors and top management

In addition to the attendance fee for the Board of Directors (BoD) members and the salary paid to the Chairman and Managing Directors, there is no other fee paid to the BoD members, or a reward system based upon the performance. The Board of Directors determines the amount of salary paid to the Chairman and Managing Director.

Remuneration principles are disclosed to the public via the company website, annual report and public disclosure platform. These disclosures are made based on information from the BoD.

In principle, the company does not provide credit to members of the Board of Directors and managerial personnel. However, the Managing Director may provide limited credit to managers in extraordinary cases.


çimentaş
CEMENTIR HOLDING

3 CONSOLIDATED FINANCIAL STATEMENTS 2019

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of
Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

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Key audit matters	How our audit addressed the key audit matters
Fair value measurement of investment properties: **Refer to the Notes 2 and 11.** In accordance with IAS 40, "Investment Properties", the investment properties are carried at fair value on the consolidated financial statements amounting to TL410.260 thousands. The fair value gain amounting to TL40.510 thousands was appraised by the independent professional valuers at 31 December 2019. The fair value gain was recognised as income from investment activities and the deferred tax effect was recognised in the taxation on income in the consolidated income statement. This was a key audit matter since the total amount of the investment property as of 31 December 2019 has a significant share in the assets of the Group, fair value gain in the current year is significant portion and these valuations include estimations and assumptions that are sensitive to the location and zoning status, benchmark prices per m^2, and the construction costs per m^2 .	The following audit procedures were addressed in our audit work for the fair value measurement of investment properties: • We assessed in accordance with relevant audit standards that the competence, capability and objectivity of the independent professional valuers who were appointed by the Group management. • We checked and agreed the completeness and reconcile the input data in terms of m^2, location and zoning status of investment properties, used by the independent professional valuers who were appointed by the Group management, on a sample basis, with the Group's records. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions like discount rate, benchmark prices per m^2, the construction costs per m^2 and methods used by the Group management and the independent professional valuers who were appointed by the Group management. • The compliance of the disclosures of fair value determination of investment properties in the consolidated financial statements in accordance with the relevant financial reporting standards were evaluated.

Key Audit Matters	How our audit addressed the key audit matters
Impairment of assets in waste management segment: **Refer to the Notes 2 and 12.** As of 31 December 2019, the carrying value of assets in Recydia Atık Yönetimi Yenilenebilir Enerji Üretimi Nakliye Lojistik Hizmetleri San.ve Tic. A.Ş. İstanbul Hereko Şubesi ("Hereko") operating in waste management is TL 29.895 thousands in consolidated financial statements. In accordance with IAS 36, "Impairment of Assets", the Group shall assess at the end of each reporting period whether there is any indicator that assets may be impaired, and perform impairment test accordingly. There are important estimates and assumptions used in the calculation of the recoverable amount of Hereko, as a seperate cash generating unit, like discount and growth rates, earnings before interest, tax and depreciation ("EBITDA"), landfill capacity and efficiency (Notes 2 and 12). This was a key audit matter due to the use of significant management estimates and assumptions that are highly sensitive to operational and macroeconomic conditions used in this impairments test.	The following audit procedures were addressed in our audit work for the impairment of assets in waste management segment: • We assessed the indicators of property, plant and equipment as described in IAS 36 that whether there is any indication that any CGU in waste management segment may be impaired. • Evaluating the future business plans and explanations by considering macroeconomic data and inquiry with the Group management for the assumptions and estimations, analysis and future plans prepared the Group management. • The appropriateness of such estimates used in has been evaluated by taking into account the management estimates such as sales prices, growth rates, capacity utilizations used in discounted cash flows, the past performance of the facility, current contracts, and price offers. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, as an independent auditor, we got our auditor expert involved in evaluating the following assumptions and methods used by the Group management in each impairment test. The design and mathematical accuracy of the calculation model of discounted cash flow, assumptions of discount rate and its components used in the impairment test model by the Group management were checked. • In addition, disclosures and explanations for the impairment tests of related assets were evaluated in compliance with relevant financial reporting standards.

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Key Audit Matters	How our audit addressed the key audit matters
Impairment of goodwill: **Refer to Notes 2 and 15.**	
Goodwill amounting to TL 194.797 thousands in total is presented under the goodwill line item included in intangible assets. In accordance with TFRS, intangible assets with indefinite life shall be tested for impairment annually. The impairment of goodwill was determined as key audit matter due to material amount of carrying value of goodwill and estimations and assumptions in impairment testing used by the Group management, like discount and growth rates, earnings before interest, tax and depreciation ("EBITDA") which are highly sensitive to future market conditions.	The following audit procedures were addressed in our audit work for the impairment of goodwill: • Evaluating the future business plans and explanations by considering macroeconomic data and inquiry with the Group management for the assumptions and estimations, analysis and future plans prepared the Group management. • The future cash flow projections prepared for each cash-generating unit were compared with past financial performances to assess whether they were reasonable. • The assumptions used in cash flow projections evaluated in the impairment test are evaluated in accordance with TAS 36 "Impairment in Assets" standard. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, as an independent auditor, we got our auditor expert involved in evaluating the assumptions and methods used by the Group management in each impairment test. The design and mathematical accuracy of the calculation model of discounted cash flow, assumptions of discount rate and its components used in the impairment test model by the Group management were checked. • In addition, disclosures and explanations for the goodwill impairment tests were evaluated in compliance with relevant financial reporting standards.

Key Audit Matters	How our audit addressed the key audit matters
Recoverability of trade receivables (Refer to the Note 7): Trade receivables amounting to TL266.969 thousands from non-related parties as of 31 December 2019 are material to the consolidated financial statements. The Group management takes into account the guarantees received from its customers, past collection performance, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Group management's estimations and assumptions. On the other hand, these estimates are very sensitive to market conditions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: • The Group's credit risk management policy, including credit limit and collection management, were understood and evaluated. • Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. • The aging of trade receivable balances from non-related parties were tested on a sample basis. • The subsequent collections were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • It was assessed if there is a dispute or litigations regarding collectability of trade receivables from non-related parties, and obtained written assessments of legal counsels on outstanding litigations and disputes. • The compliance of the disclosures of recoverability of trade receivables from non-related parties in the consolidated financial statements with the relevant financial reporting standards was evaluated.

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4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January - 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 4 March 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

Mehmet Karakurt,
Partner

İstanbul, 4 March 2020

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

INDEPENDENTLY AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019 AND 2018

(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

ASSETS	Note	31 December 2019	31 December 2018
Current Assets		**529.401**	**585.669**
Cash and Cash Equivalents	5	93.216	90.449
Trade Receivables		267.009	252.298
- Due From Related Parties	*4.1*	*40*	*623*
- Due From Third Parties	*7.1*	*266.969*	*251.675*
Other Receivables		8.273	7.188
- Due From Related Parties	*4.2*	*75*	*241*
- Due from Third Parties	*8.1*	*8.198*	*6.947*
Derivative Instruments		—	428
Inventories	9	137.607	206.224
Prepaid Expenses	10.1	11.532	15.524
Current Income Tax Assets	27	510	5.597
Other Current Assets	19.1	11.254	7.961
Non-Current Assets		**1.171.193**	**1.155.266**
Other Receivables		757	873
- Due from Third Parties	*8.2*	*757*	*873*
Investment Properties	11	410.260	369.750
Tangible Assets	12	492.290	527.486
Right of Use Assets	13	9.049	—
Intangible Assets		200.120	198.202
- Goodwill	*15*	*194.797*	*191.772*
- Other Intangible Assets	*14*	*5.323*	*6.430*
Prepaid Expenses	10.2	65	454
Deferred Tax Assets	27	22.937	25.104
Other Non-Current Assets	19.2	35.715	33.397
TOTAL ASSETS		**1.700.594**	**1.740.935**

LIABILITIES	Note	31 December 2019	31 December 2018
Short-Term Liabilities		**345.955**	**352.033**
Short Portions of Long-Term Borrowing	6	4.676	513
- Short Portions of Long-Term Borrowing from Non-Related Parties		*4.676*	*513*
- Leasing Payables		*4.676*	*513*
Trade Payables		226.917	253.501
- Due to Related Parties	*4.3*	*32.285*	*112.012*
- Due to Third Parties	*7.2*	*194.632*	*141.489*
Payables Related to Employee Benefits	18.1	5.632	5.161
Other Payables		62.369	46.756
- Other Payables to Related Parties	*4.4*	*61.464*	*44.370*
- Other Due to Third Parties	*8.3*	*905*	*2.386*
Deferred Income (Apart from Obligations Arising under Customer Contracts)	10.3	3.617	8.561
Current Income Tax Liability	27	2.021	1.406
Short-Terms Provisions		29.600	28.018
- Short-term Provisions for Employee Benefits	*18.2*	*2.674*	*1.563*
- Other Short-term Provisions	*16.3*	*26.926*	*26.455*
Other Short-Term Liabilities	19.3	11.123	8.117
Long-Term Liabilities		**152.026**	**154.702**
Long-Term Borrowings	6	5.228	260
- Long-Term Borrowing from Non-Related Parties		*5.228*	*260*
- Leasing Payables		*5.228*	*260*
Other Payables		55.200	50.032
- Other Payables to Related Parties	*4.5*	*55.200*	*50.032*
Long-term Provisions		56.241	49.785
- Long-term Provisions for Employee Benefits	*18.3*	*24.933*	*22.082*
- Other Long-term Provisions	*16.3*	*31.308*	*27.703*
Deferred Tax Liability	27	35.357	54.625
TOTAL LIABILITIES		**497.981**	**506.735**
EQUITY		**1.202.613**	**1.234.200**
Equity of Parent Company		**940.828**	**1.018.495**
Paid-in Capital	20	87.112	87.112
Capital Adjustment Differences	20	20.069	20.069
Cross Shareholding Capital Adjustment	20	(3.381)	(3.381)
Share Premiums / Discounts	20	161.554	161.554
Other Accumulated Comprehensive Income / Expenses that will not be Reclassified through Profit or Loss		81.182	84.683
- Revaluation and Remeasurement Gains	*20*	*81.182*	*84.683*
- Tangible Fixed Assets Revaluation Fund Increases	*20*	*100.958*	*100.958*
- Re-measurement Loss on Defined Benefit Plans	*20*	*(19.199)*	*(15.698)*
- Other Loss on Revaluation and Measurement	*20*	*(577)*	*(577)*
Other Accumulated Comprehensive Income / Expenses that will be Reclassified through Profit or Loss		10.133	9.483
- Foreign Currency Translation Differences		*10.133*	*9.483*
Reserves on Retained Earnings		63.407	63.345
Retained Earnings		603.508	601.152
Net loss for the period		(82.756)	(5.522)
Non-Controlling Interests		**261.785**	**215.705**
TOTAL LIABILITIES		**1.700.594**	**1.740.935**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

INDEPENDENTLY AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

PROFIT OR LOSS	Note	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	21	813.275	970.249
Cost of Sales (-)	21	(794.964)	(840.788)
GROSS PROFIT	**21**	**18.311**	**129.461**
General Administrative Expenses (-)	22.1	(119.674)	(121.034)
Marketing Expenses (-)	22.2	(25.759)	(30.384)
Other Income from Real Operating Activities	24.1	20.091	17.053
Other Expenses from Real Operating Activities (-)	24.2	(25.112)	(83.623)
OPERATING LOSS		**(132.143)**	**(88.527)**
Income from Investing Activities	25.1	41.014	92.970
Expenses from Investing Activities (-)	25.2	(18.769)	(962)
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL EXPENSE		**(109.898)**	**3.481**
Financial Income	26.1	19.768	16.333
Financial Expenses (-)	26.2	(21.954)	(37.725)
LOSS BEFORE TAX		**(112.084)**	**(17.911)**
Tax Income / (Expense)		**8.240**	**(29)**
Income Tax Expense	27	(7.007)	(3.378)
Deferred Tax Income	27	15.247	3.349
PERIOD LOSS		**(103.844)**	**(17.940)**
Period Loss Distribution			
Non-Controlling Interests		(21.088)	(12.418)
Equity of Main Shareholders		(82.756)	(5.522)
Net loss for the period		**(103.844)**	**(17.940)**
Loss per Share Attributable to Parent Company TL	28	**(0,9557)**	**(0,0638)**
OTHER COMPREHENSIVE INCOME / (EXPENSE):			
Income that will not be Reclassified through Profit or Loss		**(4.498)**	**(1.454)**
Remeasurement Losses on Defined Benefit Plans		(5.622)	(1.817)
Taxes on Other Comprehensive Expense that will not be Reclassified through Profit or Loss		1.124	363
- Deferred Tax Income		*1.124*	*363*
Income that will be Reclassified through Profit or Loss		**1.141**	**6.003**
Foreign Currency Translation Differences		1.141	6.003
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**(3.357)**	**4.549**
TOTAL COMPREHENSIVE EXPENSE		**(107.201)**	**(13.391)**
Distribution of Total Comprehensive Expense			
Non-Controlling Interests		(21.583)	(10.423)
Equity of Main Shareholders		(85.618)	(2.968)
Total Comprehensive Expense		**(107.201)**	**(13.391)**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

INDEPENDENTLY AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

PRIOR PERIOD	Paid-in Capital	Capital Adjustment Differences	Cross Shareholding Capital Adjustment	Share Premiums	Revaluation Increases in Fixed Assets
Balances as of 1 January 2018	87.112	20.069	(3.381)	161.554	100.958
Transfers	—	—	—	—	—
Net loss for the period	—	—	—	—	—
Other comprehensive income / (expenses)	—	—	—	—	—
Total comprehensive income / (expenses)	**—**	**—**	**—**	**—**	**—**
Dividends	—	—	—	—	—
Changes in non-controlling interest without loss of control	—	—	—	—	—
Balances as of 31 December 2018	87.112	20.069	(3.381)	161.554	100.958
CURRENT PERIOD					
Balances as of 1 January 2019	87.112	20.069	(3.381)	161.554	100.958
Transfers	—	—	—	—	—
Net loss for the period	—	—	—	—	—
Other comprehensive income / (expenses)	—	—	—	—	—
Total comprehensive income / (expenses)	**—**	**—**	**—**	**—**	**—**
Dividends	—	—	—	—	—
Changes in non-controlling interest without loss of control	—	—	—	—	—
Balances as of 31 December 2019	87.112	20.069	(3.381)	161.554	100.958

Other Accumulated Comprehensive Income / Expenses that will not be Reclassified through Profit or Loss		Other Accumulated Comprehensive Income/Expenses that will be Reclassified through Profit or Loss						
Revaluation and Remeasurement Gains				Accumulated Profits				
Remeasurement Losses on Defined Benefit Plans	Other Revaluation and Measurement Losses	Foreign Currency Translation Differences	Reserves on Retained Earnings	Retained Earnings	Net Profit / (Loss) for the Period	Equity of Parent Company	Non-Controlling Interests	Equity
(14.639)	**(577)**	**5.870**	**57.424**	**575.374**	**31.640**	**1.021.404**	**154.530**	**1.175.934**
—	—	—	5.921	25.719	(31.640)	—	—	—
—	—	—	—	—	(5.522)	(5.522)	(12.418)	(17.940)
(1.059)	—	3.613	—	—	—	2.554	1.995	4.549
(1.059)	**—**	**3.613**	**—**	**—**	**(5.522)**	**(2.968)**	**(10.423)**	**(13.391)**
—	—	—	—	(343)	—	(343)	—	(343)
—	—	—	—	402	—	402	71.598	72.000
(15.698)	**(577)**	**9.483**	**63.345**	**601.152**	**(5.522)**	**1.018.495**	**215.705**	**1.234.200**
(15.698)	**(577)**	**9.483**	**63.345**	**601.152**	**(5.522)**	**1.018.495**	**215.705**	**1.234.200**
11	—	—	62	(5.605)	5.522	(10)	10	—
—	—	—	—	—	(82.756)	(82.756)	(21.088)	(103.844)
(3.512)	—	650	—	—	—	(2.862)	(495)	(3.357)
(3.512)	**—**	**650**	**—**	**—**	**(82.756)**	**(85.618)**	**(21.583)**	**(107.201)**
—	—	—	—	(370)	—	(370)	—	(370)
—	—	—	—	8.331	—	8.331	67.653	75.984
(19.199)	**(577)**	**10.133**	**63.407**	**603.508**	**(82.756)**	**940.828**	**261.785**	**1.202.613**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES
INDEPENDENTLY AUDITED AND CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

		31 December 2019	31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(45.046)**	**(78.062)**
Period Loss		**(103.844)**	**(17.940)**
Period Loss from Ongoing Operations		(103.844)	(17.940)
Adjustments for Period Net Loss Reconciliation		**47.808**	**(15.810)**
Adjustments for Depreciation and Amortization Expense	12.2, 23	63.755	56.560
Adjustments for Impairment		22.851	923
Adjustments for Impairment Value in Receivables	*7.1, 24.2*	*4.082*	*923*
Adjustments for Impairment in Tangible Fixed Assets	*25.2*	*18.769*	-
Adjustments to Provisions		9.012	23.488
Adjustments for Provisions Related with Employee Benefits		*3.358*	*1.916*
Adjustments for Provisions for Lawsuits and Fines	*16.3*	*1.345*	*18.215)*
Adjustments for Other Provisions		*4.309*	*3.357*
Adjustments for Interest Income and Expenses		(5.051)	(7.375)
Adjustments for Interest Income		*(11.731)*	*(12.519)*
Adjustments for Interest Expenses		*6.680*	*5.144*
Adjustments for Unrealized Foreign Currency Exchange Differences		6.495	3.001
Adjustments to Earnings on Fair Value		(40.510)	(70.256)
Adjustments for Fair Value Gains on Investment Property	*25.1*	*(40.510)*	*(69.828)*
Adjustments for Fair Value Gains on Derivative Financial Instruments		—	*(428)*
Adjustments for Tax (Income) / Expense	27	(8.240)	29
Adjustments for Earnings through Sale of Long-Term Assets	25.1, 25.2	(504)	(16.169)
Adjustments Relating to Other Items Causing Cash Flow from Investing or Financing Activities		—	(6.011)
Changes in Operating Capital		**24.158**	**(26.609)**
Adjustments for Decrease / (Increase) in Trade Receivables		(9.728)	33.007
Decrease in Trade Receivables from Related Parties		*583*	*1.995*
Decrease / (Increase) in Trade Receivables from Non-Related Parties		*(10.311)*	*31.012*
Adjustments for Increase in Other Receivables Related to Operations		(1.135)	(1.722)
Adjustments for Increase in Other Receivables Related to Operations from Non-Related Parties		*(1.135)*	*(1.722)*
Adjustments for Inventory Decrease / (Increase)		71.061	(77.839)
Adjustments for Inventory Increase / (Decrease) in Trade Payables		(28.337)	29.217
Increase / (Decrease) in Trade Payables to Related Parties		*(80.626)*	*55.172*
Increase / (Decrease) in Trade Payables to Non-Related Parties		*52.289*	*(25.955)*
Adjustments for Increase / (Decrease) in Other Payables Related to Operations		(1.481)	1.162
Increase / (Decrease) in Other Payables due to Non-related Party Transactions		*(1.481)*	*1.162*
Increase / (Decrease) in Deferred Income (Apart from Obligations Arising under Customer Contracts)		(4.944)	874
Adjustments for Other Decreases in Working Capital		(1.278)	(11.308)
Decrease / (Increase) in Other Assets Related to Operations		*3.848*	*(17.845)*
(Increase) / Decrease in Other Liabilities Related to Operations		*(5.126)*	*6.537*
Cash Flow Used in Activities		**(31.878)**	**(60.359)**
Payments Made Related to Provisions for Employee Benefits		(6.264)	(4.493)
Tax Payments		(6.904)	(13.210)

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

INDEPENDENTLY AUDITED AND CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

		31 December 2019	31 December 2018
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		**(24.518)**	**3.567**
Cash Inflows from Proceeds from Sale of Tangible and Intangible Assets		1.546	25.930
Cash Outflows from Acquisition of Tangible and Intangible Assets		(29.858)	(41.858)
Cash Advances and Payments Made		166	9.965
Repayments of Cash Advances and Loans Made to Related Parties		*166*	*9.965*
Interest Received		3.628	4.563
Other Cash Inflows		—	4.967
C. CASH FLOWS FROM FINANCING ACTIVITIES		**77.034**	**112.192**
Cash Inflows from Changes in Shareholdings in Subsidiaries Without Loss of Control		75.984	72.000
Cash Inflows from Loans and Borrowing		—	36.718
Cash Outflows from Repayment of Loans and Borrowings		—	(84.162)
Increase in Other Trade Payables Received from Related Parties		9.664	90.959
Decrease in Other Trade Payables Received from Related Parties		(50)	(225)
Cash Outflows from Payment of Payables Arising under Leases		(4.631)	—
Dividend Payment		(370)	(343)
Interest Paid		(3.563)	(2.755)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) PRIOR TO THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES		**7.470**	**37.697**
D. THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(4.703)**	**(4.100)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**2.767**	**33.597**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**90.449**	**56.852**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**5**	**93.216**	**90.449**


cimbeton

4 NOTES TO THE FINANCIAL STATEMENTS

(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

1. ORGANIZATION OF THE GROUP AND NATURE OF BUSINESS

Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("Çimentaş" or "the Company"), parent company, was established on 7 August 1950. The Company operates in the production, trade, sale and transportation of bulk and bagged cement. The company's parent company is Spanish-domiciled Aalborg Portland Espana SL ("Aalborg Portland Espana") and Çimentaş's former parent company, Italian-domiciled Cementir Holding S.p.A ("Cementir Holding"), maintains its controlling share in the company as ultimate parent company.
Subsidiaries ("Subsidiaries") of Çimentaş operate in the following main areas:

Subsidiaries	Operating Country	Nature of Business
• Çimbeton Hazır Beton ve Prefabrik Yapı Elemanları San. ve Tic. A.Ş. ("Çimbeton")	Turkey	Ready-mixed concrete and cement production
• Kars Çimento Sanayi ve Tic. A.Ş. ("Kars Çimento")	Turkey	Cement production
• Destek Organizasyon Temizlik, Akaryakıt, Tabldot Servis San. ve Tic. A.Ş. ("Destek")	Turkey	Fuel sales
• İlion Çimento İnşaat San. ve Tic. Ltd. Şti. ("İlion Çimento")	Turkey	Fly ash production
• Recydia Atık Yönetimi Yenilenebilir Enerji Üretimi ve Lojistik Hizmetleri San. ve Tic. A.Ş. ("Recydia")	Turkey	Cement production and waste management
• Süreko Atık Yönetimi Nakliye Lojistik Sanayi ve Ticaret A.Ş. ("Süreko")	Turkey	Waste management
• Neales Waste Management Holdings Limited ("NWM Holding")	England	Waste management
• Neales Waste Management Limited ("NWM")	England	Waste management
• Quercia Limited ("Quercia")	England	Waste management
• Clayton Hall Sand Company Limited ("CHS")	England	Waste management

Çimentaş and Çimbeton, its subsidiary, are publicly traded companies. The shares that equal 2,20 percent of Çimentaş's capital (31 December 2018: 2,20%) and 49,65 percent of Çimbeton's capital (31 December 2018: 49,65%) are traded in the Borsa İstanbul A.Ş. ("BIST") under the names CMENT and CMBTN, respectively.
The registered address of the Company is Egemenlik Mah. Eski Kemalpaşa Cad. No: 4B Işıkkent Bornova - İzmir/Turkey.
For the Company and its subsidiaries, the term "The Group" will be used throughout the report.
As of 31 December 2019, the average number of personnel employed in the Group is 769 (31 December 2018: 819).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation

2.1.1 Financial reporting standards applied

The attached consolidated financial statements have been prepared in accordance with the "Communiqué on Principles of Financial Reporting in the Capital Markets" Numbered Series II-14.1 promulgated in edition 28676 of the Official Gazette of 13 June 2013 and, on the basis of Article 5 of the Communiqué, they are based on the Turkish Financial Reporting Standards ("TFRS") and related annexes and interpretations placed into effect by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). TFRS are updated through communiqués to ensure compliance with changes that take place to International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been presented in accordance with the "Announcement on TAS Taxonomy" issued by the CMB on 15 April 2019 and the formats specified in the Consolidated Financial Statement Examples and the Usage Manual issued by the CMB.

The CMB adopted a resolution on 17 March 2005, and announced that publicly traded companies operating in Turkey shall no longer be required to apply inflation accounting, effective 1 January 2005. Henceforth, the consolidated financial statements of the Group were prepared accordingly.

In maintaining the accounting records and the preparation of its statutory financial statements, the Group and its subsidiaries registered in Turkey comply with the principles and conditions stipulated by the CMB, the Turkish Commercial Code "TCC"), the tax legislation and the requirements of the Uniform Chart of Accounts issued by the Ministry of Finance. The subsidiaries that operate in foreign countries have prepared their financial statements in accordance with the currency, laws and regulations applicable in countries where they operate. Consolidated financial statements have been measured and presented on a historical cost basis in the Company's functional currency of the Turkish Lira ("TL") except for investment properties and financial assets and liabilities, which are presented at fair value, and the necessary adjustments and classifications have been made so that correct measurement and presentation pursuant to TFRS is made in statutory records.

On 4 March 2020, the board of directors approved the Group's financial statements for the 31 December 2019 year-end. Following publication of the statutory financial statements, the General Meeting and certain regulatory boards are empowered to make amendment to the said financial statements.

2.1.2 Functional and reporting currency

The financial statements are presented in the reporting currency Turkish lira ("TL"), the currency of the primary economic environment in which the Group operates. The information related to the currencies other than TL is specified fully unless otherwise stated.

2.1.3 Basis of Consolidation

The consolidated financial statements include the accounts of parent company Çimentaş and its subsidiaries in line with the principles explained below. Financial statements of the companies included in the consolidation have been prepared by applying uniform accounting policies in accordance with the TFRS and providing the same presentations as of the dates when the financial statements are issued. When necessary, the subsidiaries' accounting policies were redrawn to be consistent with those of the Group.

i. Non-controlling interests

Non-controlling interests have been classified separately as "non-controlling interests" in the statement of the subsidiary's share of net assets and consolidated profit and loss and other comprehensive income and expense in the reporting period, the consolidated statement of profit or loss and other comprehensive income and expense and the consolidated statement of changes in equity.

ii. Subsidiaries

All businesses controlled by the Group are subsidiaries of the Group. The Group is said to be in control of the entity if it is exposed to variable returns due to its relationship with the business or if it is entitled to the returns, while at the same time, having the convenience of influencing it using its hold on the business. When the control on the subsidiary is taken over by the Group, then the subsidiary is included in the consolidation. When the control on the subsidiary ends, then the subsidiary concerned is excluded from the consolidation.

The statements of financial position and profit or loss and other comprehensive income of the companies included in the consolidation are consolidated employing the full consolidation method and all significant debit/credit balances and purchase and sale transactions between are mutually netted. The shareholding amounts and the shareholders' equity of the companies participated in are eliminated mutually. Under assets, while recognized profits and losses arising from intra-group transactions are mutually netted, unrealized losses are written off in cases where the transaction is not indicative of impairment of the exchanged asset. Changes have been made to subsidiaries' accounting policies where necessary in the interests of consistency with accounting policies adopted by the Group.

The following table shows the Company's subsidiaries along with the size of its direct and indirect shareholdings and its degree of control as of 31 December 2019 and 31 December 2018:

	Çimentaş and its subsidiaries' direct and indirect share ratio (%)		Çimentaş and its subsidiaries' direct and indirect controlling ratio (%)	
	2019	2018	2019	2018
Destek	99,99	99,99	99,99	99,99
Recydia (**)	51,72	56,58	79,26	81,87
NWM Holding (**)	51,72	56,58	79,26	81,87
NWM (**)	51,72	56,58	79,26	81,87
Quercia (**)	51,72	56,58	79,26	81,87
CHS (**)	51,72	56,58	79,26	81,87
Süreko (**)	51,72	56,58	79,26	81,87
Kars Çimento (*)	41,55	48,77	58,70	65,56
Çimbeton	50,31	50,32	92,81	92,81
Ilion Çimento	50,28	50,28	92,80	92,80

(*) At the Ordinary General Meeting of Kars Çimento held on 19 March 2019, Kars Çimento's existing capital was increased by TL 75.984.000 from TL 437.178.000 to TL 513.162.000 and the said capital increase was paid in full by Kars Çimento shareholder, Alfacem S.r.L. Following the said capital increase, the degree of Çimentaş's control over Kars Çimento became 58,70% (31 December 2018: %65,56).

(**) In connection with the capital increase conducted at Kars Çimento, changes took place to Çimentaş's direct and indirect shareholdings in Kars Çimento and other group companies in which Kars Çimento has a stake. Since Çimentaş has maintained its control over Group Companies following the said changes no change was made to the consolidation method.

iii. Loss of control

The Group de-recognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary, if it loses control over the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. The shares remaining in the previous subsidiary are measured at their fair value on the day the control is lost.

iv. Changes in stakes in subsidiaries that do not lead to loss or acquisition of control

Transactions conducted in shares not conferring control that do not lead to the loss or acquisition of control are treated as transactions among shareholders in non-controlling shares. Profit or loss arising from the purchase or sale of non-controlling shares that do not lead to the loss or acquisition of control are recognized under assets.

v. Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated when preparing the condensed consolidated financial statements. Profits and losses arising from transactions conducted between a subsidiary and the parent company or the parent company's subsidiaries subject to consolidation have been netted. Unrealized losses are eliminated in the same way as unrealized gains, unless there is evidence of impairment.

2.1.4 Foreign currency transactions

i) Transactions and balances

Foreign currency transactions are exchanged to the functional currency based on the foreign exchange rate on the day of the transaction. Foreign exchange gains or losses that arise from these transactions and from exchanging the foreign currency monetary assets and liabilities based on the year-end exchange rates are regarded as maintaining the cash flow and net investment. As such, they are included in the statement of consolidated profit or loss and other comprehensive income, and not in the items under the shareholders' equity.

ii) Conversion of the financial statements belonging to subsidiaries abroad

Financial statements of the subsidiaries registered in foreign countries are prepared according to the standards, laws and regulations of the country they are located in, and conformed to TFRS to ensure accurate presentation and content. Assets and liabilities of the subsidiaries operating abroad are exchanged to Turkish lira based on the exchange rates at the time of the statement of financial position. Assets and liabilities of the subsidiaries operating abroad are exchanged to Turkish lira based on the exchange rates at the time of the statement of financial position (balance sheet). These subsidiaries' statement of statement of profit or loss items are exchanged to Turkish lira based on the average exchange rates (if the average rates do not reasonably reflect the currency fluctuations at the time of transaction, the transactions will be based on the rate at the time of the transaction). Exchange rate differences that arise as a result of using the closing and average exchange rates are recognized under the "foreign exchange differences" in the shareholders' equity. Following rates were used for the currency exchanges:

Year-end:

	31 December 2019	31 December 2018
Turkish Lira/Sterling	0,1286	0,1503

Average:

	1 January – 31 December 2019	1 January – 31 December 2018
Turkish Lira/Sterling	0,1384	0,1561

2.2 Changes in the Turkish Financial Reporting Standards

a) Amendments and interpretations to existing standards and new standards adopted as of 31 December 2019

- **TFRS 9, "Financial Instruments";** is effective for annual reporting periods beginning on or after 1 January 2019. This change has clarified two matters: it confirms that, in considering whether a financial asset represents solely principal and interest on principal, early repayment can have cash inflows and cash outflows and if a financial liability measured at amortized cost is exchanged without leading to derecognition, the ensuing gain or loss is recognized directly in profit or loss. Gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted using the original effective interest rate. This means that, unlike TMS 39, it is not possible to recognize the difference over the remaining life of the instrument. Group management does not consider that the standard in question will exert a significant effect on consolidated financial statements.

- **TFRS 16, "Leases";** is effective for annual reporting periods beginning on or after 1 January 2019. Permission is given for early implementation in conjunction with TFRS 15 "Revenue from Contracts with Customers". This new standard replaces the guidelines of TMS 17 and makes sweeping change especially as concerns lessees. According to current TMS rules, since they are party to a leasing transaction, lessees must distinguish between finance leasing (on-balance sheet) or operational leasing (off-balance sheet) with respect to this transaction. However, according to TFRS 16, lessees must henceforth recognize nearly all lease liabilities owed in the future and a corresponding right of use asset for all leases. The IASB has envisaged an exception for short-term leases and low-value assets, but this exception is only applicable to lessors. Accounting remains virtually unchanged for lessors. However, lessors will also be affected by this new standard since the IASB has changed the definition of leasing transactions (just as it has done with the guidelines for combining or separating contractual content). Under such circumstances, the new accounting model is expected give rise to certain appraisals among lessors and lessees. According to TFRS 16, if a contract conveys the right to use an asset for a determinate period and the right to control that asset in exchange for a determinate consideration, that contract is a lease or contains a leasing transaction (Note 2.5).
- **TFRS Interpretation 23, "Uncertainty in income tax applications,"** is effective for annual reporting periods beginning on or after 1 January 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee had previously made a clarification that in case there was an uncertainty in tax applications, this uncertainty should be dealt with by applying the TAS 37 'Provisions, Conditional Debt and Conditional Assets ' and not TAS 12. TFRS Interpretation 23, on the other hand, provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainties arise when it is not known whether a tax application undertaken by a company is acceptable to the tax authority or not. For example, in particular whether an expense item is accepted as a deduction or whether or not a certain item should be included in the calculation of recoverable taxes, in cases where there is no clarity in the tax legislation. TFRS Interpretation 23 is valid in every case where there is uncertainty with respect to tax applications for an item; including amounts of taxable income, expense, asset or liability that make up the tax base, tax expense, tax receivable and tax rates.
- **2015-2017 annual improvements;** applicable to annual reporting periods commencing on or after 1 January 2019. These improvements comprise the following changes:
  - TFRS 3, "Business combinations": a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, "Joint arrangements": a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, "Income taxes": a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 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.
- **TAS 19 "Employee benefits" improvements on amendments, curtailments or settlements made in the plan;** applicable to annual reporting periods commencing on or after 1 January 2019. These improvements require the following changes:
  - Use updated assumptions to determine current service cost and net interest for the remainder of the period after the amendment, curtailment or settlement made in the plan;
  - Recognize in profit or loss as part of past service cost, or include in financial statements any reduction in surplus as a gain or loss on settlement, even if that surplus was not previously recognized because of the impact of the asset ceiling.

b) Since all other new standards and amendments and interpretations concerning existing standards that are effective as of 31 December 2019 have no relevance for the Group's activities or material effect on its consolidated financial statements, they have not been listed.

c) Standards and amendments that have been issued but not yet effective, as of 31 December 2019:

- **TAS 1 and TAS 8 changes to the definition of materiality** ; is effective for annual reporting periods beginning on or after 1 January 2020. The Changes to TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" along with changes in other TRFSs connected with these changes are as follows:
  - The use of a consistent definition of materiality within the scope of TFRS and financial statements
  - Achieving clarification of the definition of materiality, and
  - The inclusion of certain guidance in TAS 1 relating to immaterial data.
- **Changes in TFRS 3 – Definition of business:** is effective for annual reporting periods beginning on or after 1 January 2020. This change has brought with it a revised definition of a business. From feedback obtained by the IASB, the existing implementation guidelines are generally considered to be very complex and meeting this definition of a business entails a great many procedures.
- **Changes in TFRS 3 – Definition of business:** is effective for annual reporting periods beginning on or after 1 January 2020. This change has brought with it a revised definition of a business. From feedback obtained by the IASB, the existing implementation guidelines are generally considered to be very complex and meeting this definition of a business entails a great many procedures.
- **Changes in TFRS 9, TMS 39 and TFRS 7 - Benchmark interest rate reform:** is effective for annual reporting periods beginning on or after 1 January 2020. These changes provide certain simplifying procedures in relation to the benchmark interest rate. These procedures relate to hedging accounting and the effect of IBOR reform should not generally result in the discontinuation of hedge accounting. At the same time, hedge ineffectiveness should continue to be recognized. Given that hedge accounting is widespread in IBOR-based contracts, these simplifying procedures will affect all companies in the sector.

The Group will assess the effects of the above amendments on its operations and apply them from the effective date. Standards and amendments published but not yet effective and not relevant to the Company's activities as of 31 December 2019 are not presented above.

2.3 Changes in Accounting Policies

The applied valuation principles and accounting policies have been set out consistently in all the information presented. The Group recognizes, measures and presents transactions, other events and situations of similar nature on a consistent basis in the financial statements. Material changes in accounting policies or material accounting errors are applied retrospectively by restating the consolidated financial statements of the prior period. As of 31 December 2019, the Group has no changes in accounting policies.

2.4 Changes in Accounting Estimates and Errors

Changes in accounting policies arising from the first-time adoption of a new standard are applied retroactively and prospectively in compliance with transitional provisions, if any. Changes in which no transitional provision is included are adopted with the retroactive application of major voluntary changes made to accounting policies or major accounting errors that are detected, and financial statements for previous periods are revised. The changes in accounting estimates affecting only one period are applied in the current period where the changes have been made, and the changes in accounting estimates affecting the periods are applied in the current period and future periods prospectively.

2.5 Comparative information

To enable the determination of the financial position and performance trends, the Group's consolidated statement of financial position as of 31 December 2019 has been prepared in comparison with the consolidated statement of financial position as of 31 December 2018; and the consolidated statement of profit and loss and other comprehensive income for the period and other comprehensive income, the consolidated statement of changes in

shareholders' equity and the consolidated statement of cash flow for the accounting period ended 31 December 2019, have been prepared in comparison with the consolidated statement of profit and loss and other comprehensive income for the period and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flow for the accounting period ended 31 December 2018.
The accounting policies adopted as the basis for preparing the financial statements for the 1 January – 31 December 2019 accounting period have been applied consistently to the financial results prepared as of 31 December 2018, with the exception of the "TFRS 16 Leases" standard mentioned below which took effect as of 1 January 2019.

TFRS 16 "Leases" Standard

From among the new standards, changes and interpretations effective as of 1 January 2019, the Group has implemented the changes to accounting policy arising from initial implementation of the "TFRS 16 Leases" standard in accordance with the transitional provisions of the standard in question. The changes to accounting policy deriving from the standard in question and the effects of the first-time implementation of the standards in question are as follows:

Group – as lessee

At the start of a contract, the group assesses whether the contract constitutes a lease or contains a leasing transaction. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, this contract constitutes or contains a lease. In assessing whether a contract conveys the right to control the use of an identified asset for a period of time, the Group takes the following factors into consideration:

a) The contract containing an identified asset: an asset is generally identified in the contract through being expressly or implicitly specified.
b) The asset being physically separate as a functional unit or representing substantially the entire capacity of the asset. If the supplier has the basic right to substitute the asset for an alternative asset and derives economic benefit from it, the asset is not defined.
c) Having the right to obtain substantially all of the economic benefits from the use of the identified asset.
d) Having the right to direct the use of the identified asset. If decisions about how and for what purpose the asset will be used have been predetermined, the Group deems it to have the right to direct the use of the asset. The Group has the right to direct the use of the asset in the following cases:
   i.The Group having the right to operate the asset throughout the period of use (or to direct others to operate the asset in the manner it stipulates) and the supplier lacking the right to change these operating instructions, or
   ii.The Group having designed the asset (or certain features of the asset) in a manner that predetermines how and for what purpose the asset will be used throughout the period of use.

The Group recognizes a right of use asset and a lease liability in its consolidated financial statements on the date the lease effectively commences.

Right of use asset

The right of use asset is initially recognized under the cost method and includes the following:

a) Initial measurement amount of the lease liability,
b) The remainder following deduction of all lease incentives procured on all lease payments made on or prior to the date the lease effectively commences,
c) All initial direct costs incurred by the Group, and
d) Costs incurred by the Group, if any, in connection with the restoration of the underlying asset to bring it into the condition the provisions and terms of the lease require (except costs incurred for manufacture of inventory).

In implementing the cost method, the Group measures the right of use asset:

a) with accumulated depreciation and accumulated impairment losses deducted, and
b) at the cost adjusted in line with remeasurement of the lease liability.

In depreciating the right of use asset, the Group applies the depreciation provisions of the TMS 16 "Tangible Fixed Assets" standard.
The TMS 36 "Impairment of Assets" standard is applied to determine whether the right of use asset has become impaired and for recognition of any ensuing impairment.

Lease liability

On the date on which the lease effectively commences, the Group measures the present value of remaining lease payments on that date. If the interest rate implicit in leasing can easily be determined, lease payments are discounted using this rate, or, if the implicit interest rate cannot easily be determined, using the lessee's incremental borrowing rate.
The following constitute lease payments which are included in measuring the Group's lease liability and are outstanding on the date on which the lease effectively commences:

a) The remainder following deduction of any kind of lease incentive receivables from fixed payments,
b) Lease payments that depend on an index or a rate and whose initial measurement is made using an index or rate on the date on which the lease effectively commences, or,
c) If the period of the lease suggests the lessee will exercise an option to terminate the lease, the penalty payments in respect of terminating the lease.

Following the date on which the lease effectively commences, the Group measures lease liability in the following manner:

a) It increases the carrying amount so as to reflect interest on the lease liability,
b) It reduces the carrying amount so as to reflect lease payments that are made, and
c) It remeasures the carrying amount so as to reflect revaluations or restructurings, if applicable. The Group reflects remeasured amounts of lease liabilities in consolidated financial statements as adjustments to the right of use asset.

Extension and early termination options

The lease liability is determined with reference to the extension and early termination options in contracts. The bulk of the extension and early termination options contained in contracts consist of options that are jointly exercisable by the Group. If according to the contract to which the extension and early termination options in question relate these are at the Group's initiative and exercise of the options is reasonably certain, the Group computes the lease duration through including this in the period of the lease. If there is a significant change to the terms, the treatment made is revised by the group.

Variable lease payments

The lease payments deriving from a portion of the Group's leases consist of variable lease payments. The variable lease payments in question, which are not included within the ambit of the TFRS 16 standard, are recorded as lease income in the statement of profit and loss in the relevant period.

Simplifying procedures

Short-term leases with a lease duration of twelve months and less and leases pertaining to the leasing of information technology equipment (predominantly printers, laptop computers, mobile phones etc.) deemed by the Group to be of low value have been treated under the exception the TFRS 16 standard grants and payments in respect of these leases will continue to be recognized as expenses in the period in which they took place. A single discount rate has applied to a portfolio consisting of leases having reasonably similar attributes (such as leases having a similar remaining lease duration for a similar asset class in a similar economic environment).

Group – as lessee

The Group's activities as lessee do not involve large amounts.

Initial transition to the TFRS 16 Leases Standard

As of the initial implementation date of 1 January 2019, the Group has recognized the TFRS 16 "Leases" standard in place of the TMS 17 "Leasing Transactions" standard retrospectively in consolidated financial statements along with the cumulative effect of initial implementation ("cumulative effect method"). As per the simplified transitional approach set out in the said standard, the method in question does not necessitate readjustments in the comparative information and past years' profits of consolidated financial tables.

Under initial implementation of the TFRS 16 "Leases" standard, "lease liability" was recognized in consolidated financial statements in respect of lease liabilities classified as operational leasing as per the TMS 17 "Leasing Transactions" standard. The lease liability in question was measured at the discounted present value of remaining lease payments as of the transition date using the Group's incremental borrowing rate on the initial implementation date. As to right of use assets, these were recognized in an amount equal to lease liabilities (adjusted by amounts of prepaid or accrued lease payments).

Reconciliation of the operational leasing obligations that had been recognized under TMS 17 prior to the initial implementation date and the lease liabilities recognized in consolidated financial tables under TFRS 16 as of 1 January 2019 is as follows:

	1 January 2019
Operational leasing obligations under TMS 17	**10.036**
Total lease liability (undiscounted) under TFRS 16	**10.036**
Total lease liability (discounted at incremental borrowing rate) under TFRS 16	**9.658**
- Short-term lease liability	3.625
- Long- term lease liability	6.033
Total	**9.658**

The weighted average of the Group's incremental borrowing rate applied to lease liabilities as of 1 January 2019 is 18,44% for that denominated in TL, 4% for that denominated in EUR and 2,20% for that denominated in GBP.

Right of use assets recognized in consolidated financial tables as of 1 January 2019 are detailed below on an asset-group basis:

	1 January 2019
Land	607
Buildings	1.726
Machinery, installations, and devices	317
Motor vehicles	7.008
	9.658

2.6 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar basics and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events based on their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

2.7 Summary of Significant Accounting Policies

The significant accounting policies and valuation principles used in the preparation of the consolidated financial statements are summarized below.

2.7.1 TFRS 15 - Recording revenue

The Group records revenue in financial statements when or as a contracted good or service is transferred to its customer and the performance obligation is satisfied. When (or as) control of an asset passes to the customer, the asset is transferred.

The Group records revenue in financial statements in accordance with the principles listed below:

a) Identification of contracts with customers,

b) Identification of the performance obligations in the contract,

c) Determination of the transaction price in the contract,

d) Allocation of the transaction price to the performance obligations in the contract,

e) Recognition of revenue when (or as) each performance obligation is satisfied.

According to this model, first the goods or services promised under each contract made with customers are assessed and each promise relating to the transfer of the said goods or services is identified as being a separate performance obligation. The performance obligation is then identified as either being satisfied over time or at a point in time. If the Group passes control of a good or service over time and thus satisfies the performance obligation in respect of the sales in question over time, it measures progress towards complete satisfaction of the performance obligation in question and recognizes revenue in financial statements over time. Revenue in respect of obligations for performance having the nature of a promise to transfer goods or services is recognized when control of the goods or services passes to the customer.

The group recognizes a contract made with a customer as revenue if the following conditions are fully satisfied:

a) The parties have approved the contract (in writing, orally or in conformity with other commercial practices) and have promised to render their own performances,

b) The Group can identify each party's rights in relation to the goods or services to be transferred,

c) IThe Group can identify the payment terms for the goods or services to be transferred,

d) IThe contract has commercial substance,

e) IThe Group will probably collect the consideration for the goods or services. In assessing the likelihood that consideration will be collected, attention is given purely to the customer's ability to pay this consideration on time and its intentions in this regard.

Revenue originating from product sales

The Group chiefly obtains revenue from the sale of ready-mixed concrete and bulk and bagged cement. Revenue is recognized once control of products passes to the customer.

In determining whether the control of goods and services sold has passed to the customer, the Group takes note of the criteria of,

- having a right to payment for the good
- the customer's having legal title to the good
- transfer of physical possession of the good
- possession of the significant risks and rewards related to the ownership of the good
- the customer's having accepted the good.

Revenue originating from sales of services

The Group obtains revenue from waste management service. Revenue is recognized on completion of the service.

Waste management service revenue is recognized the moment waste is disposed of or taken into the sanitary storage section. Apart from the above-mentioned performance obligations, the Group has no additional performance obligation to its customers.

In assessing whether the control of goods and services sold has passed to the customer, the Group takes note of the criteria of:

- having a right to payment for the good or service
- the customer's having legal title to the good or service
- transfer of physical possession of the good
- possession of the significant risks and rewards related to the ownership of the good
- the customer's having accepted the good or service.

For each performance obligation, the Group identifies whether the performance obligation was satisfied on time at the outset of the contract or the performance obligation was satisfied at a certain point in time. The Group recognizes revenue originating from product sales in its financial statements following the passing of control to the customer. The Group, on becoming entitled to collect consideration from its customers directly corresponding to the value for the customer of the completed performance, recognizes revenue up to amount it is entitled to invoice for in its financial statements.

If the Group expects to refund the customer with a portion or all of the proceeds collected from the customer, it records an obligation to refund in financial statements. The obligation to refund is calculated as the portion of the proceeds that the entity has collected (or will collect) to which it does not expect to be entitled. The obligation to refund is updated at the end of each reporting period to take account of changed circumstances.

2.7.2 TFRS 9 - Financial assets

Classification and measurement

The Group recognizes financial assets as financial assets recognized at amortised cost, assets whose fair value difference is recognized in other comprehensive income and financial assets whose fair value difference is recognized in profit or loss. Classification is made on the basis of the business model objective for financial assets and expected cash flows. Management makes classification of financial assets on their acquisition date.

Financial assets recognized at amortised cost

Management classifies as financial assets recognized at amortised cost financial assets where the business model adopted is to hold the financial asset to collect the contractual cash flows and the contractual terms give rise on specified dates solely to payments of principal and interest on the principal amount outstanding and which are not traded on an active market and are not derivatives. Assets that have less than twelve months to maturity as of the balance sheet date are classified as current assets, while those having more than twelve months to maturity are classified as non-current assets. Assets recognized at amortised cost are included within "trade receivables", "cash and cash equivalents" and "other receivables" on the balance sheet.

Impairment

Since trade receivables recognized at amortised cost included in financial statements have no material financial component, the Group has elected to employ the simplified procedure for calculating impairment and employs the provision approach. By means of this approach, where trade receivables have not for various reasons become impaired, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses. In calculating the expected credit loss, as well as past credit loss experiences, the Group's future-orientated forecasts are taken into account.

2.7.3 Share capital

Ordinary shares are classified as capital. Dividends distributed on ordinary shares are recorded by being deducted from accumulated profits during the period in which they are declared. Dividends received are recorded as income on the date the right to receive payment arises.

2.7.4 Tangible Assets

Tangible assets have been reflected in financial statements at acquisition cost, with accumulated depreciation and, if applicable, impairment until the balance sheet date deducted. Cost includes the expenditures that are directly undertaken during the acquisition of the asset and attributable to the acquisition. Gains or losses on disposals of tangible assets are included in the relevant income and expense accounts and the cost and accumulated depreciation of tangible assets is written off from the relevant accounts as appropriate. When parts of tangible assets have different useful lives, they are accounted for as separate items of the tangible assets.

Subsequent costs

Maintenance and repair costs are charged to the profit or loss and other comprehensive income for the period in which they are incurred. The Company derives its carrying values from the statement of financial position regardless of whether or not parts that are changed in the direction of the respective revisions are depreciated independently of the other parts. Major renewals are subject to depreciation based on the remaining life of the related tangible asset or the economic life of the renewal itself, whichever is shorter.

Expenditures after capitalization are added to the cost of the asset if it is highly probable that future economic benefits will be realized and the cost of the related expenditure is reliably measured, or reflected on the financial statements as a separate asset. Under conditions indicating that their carried values may be higher than their recoverable values, tangible assets are checked for impairment. To determine impairment, assets are grouped at the lowest level, which are the cash-generating units (cash-generating unit). If the carrying value of an item of property, plant or equipment is greater than its estimated realizable value, a provision is set aside and the book value is reduced to its realizable value. The realizable value is the higher of the value in use of the tangible asset or the net selling price after deducting the costs to sell the asset.

Depreciation

Depreciation on tangible assets is performed on a straight line basis according to their useful lives from the date of recognition or assembly of the related assets. Leasehold improvements are subject to depreciation on a straight line basis according to the shortest between their lease period and their useful lives. Land and plots are not subject to depreciation.

Estimated useful lives of property, plant and equipment are as follows:

Buildings and land improvements	5-50 years
Machinery, installations, and devices	4-25 years
Motor vehicles	2-10 years
Furniture and fixtures	3-20 years
Other intangible assets	2-10 years
Leasehold improvements	5-20 years

The depreciation method, useful lives and depreciated costs of the tangible assets are reviewed at every reporting period.

2.7.5 Intangible Assets

Intangible fixed assets are presented in financial statements at cost value, with accumulated amortization and impairment deducted. In case of impairment, the book value of intangible assets is reduced to its recoverable value.

Amortization

Amortization is calculated on a straight-line basis over the estimated useful lives of the items and is generally recognized in profit or loss after deducting the residual value of intangible asset items from their costs. Goodwill is not subject to amortisation.

Estimated useful lives of intangible assets are as follows:

Rights	4-20 years
Other intangible assets	3-20 years

The amortization method, useful lives and residual values of intangible assets are reviewed at each reporting date.

2.7.6 Investment Properties

If not being used for the production of goods or services or for administrative purposes, or for the purpose of obtaining rent, or for the purpose of value gain, or both, or not being sold during the normal course of operations, the property is classified as investment property. As of 31 December 2019, investment properties are valued by the independent professional valuation company Vakıf Gayrimenkul Değerleme A.Ş. and the fair value determined in the valuation studies carried out by the Company has been reflected in the financial statements. Gains or losses arising from changes in fair value are recognized in the consolidated profit or loss and other comprehensive income.

2.7.7 Inventories

The values of the inventories are based on the cost or net realizable value, whichever is lower. The inventories are based on the weighted average cost basis. The cost of the inventories includes incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of finished goods includes overhead costs to a reasonable extent in accordance with normal production capacity. Net realizable value is the amount acquired by deducting the sum of the estimated completion cost, necessary to realize the sales from the estimated sales price in the course of business.

2.7.8 Impairment of assets

Non-financial assets

Carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and investment properties are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. The impairment test for goodwill is an indication of impairment and, being conducted every year, the recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is either its value in use or the value acquired by deducting the sales costs from the fair value, whichever is greater. In assessing value in use, the estimated future cash flows of the asset are discounted by a pre-tax internal rate of return which can reflect the time value of money and the risks specific to that asset under current market conditions.

An impairment is recognized if the carrying amount of an asset or its cash generating units exceeds its estimated recoverable amount. Impairment is recognized in profit or loss. The smallest separable group of assets that generates cash inflows independently of other assets or groups of assets are described as cash-generating units. Impairment is recognized in the statement of profit or loss and comprehensive income. The impairment recognized for the cash generating units is allocated to reduce the carrying amounts of other assets in the group (group of units) on a pro rata basis.

Impairment made to other assets apart from goodwill in previous periods is reviewed in every reporting period if there are indications of diminished impairment or non-existent impairment. Impairment is reversed if there has been a change in the estimations used to determine the recoverable amount. The increase in the carrying amount of an asset due to the reversal of the impairment loss is recognized in a way that it will not exceed the carrying amount (the remaining net value after being subject to amortization) determined on condition that no impairment was recognized in the financial statements in previous years.

2.7.9 Employee benefits

(i) Short-term benefits for employees

Short-term benefits for employees are recognized as expenses as long as the relevant service is rendered.
A liability is recognized for the amounts that arise from the Company's legal and constructive obligation at the end of previous services of its employees and which it is obliged to pay and which are anticipated to be paid in cases where this liability can reliably be estimated.

(ii) Long-term Employee Benefits

Provision for severance pay represents the present value of the Company's estimated total future obligations arising from the retirement of the employees in accordance with Turkish Labour Law. In accordance with the applicable social legislation and Turkish Labour Law in Turkey; The Company is obliged to pay severance pay collectively to all employees who have completed at least one year of service upon termination or retirement, except for voluntary termination or dismissal due to improper conduct or who leave for retirement. The defined benefit obligation is reduced to net present value according to actuarial assumptions and reflected in the financial statements. Actuarial gains and losses arising from changes in the actuarial assumptions used in the measurement of the provision are reflected in the financial statements by being associated with the profit or loss and other comprehensive income.

2.7.10 Provisions, contingent liabilities and contingent assets

The Group recognizes a provision equivalent to the liability in the accompanying financial statements where the Group has a legal and constructive obligation resulting from previous events, an outflow of the resources including economic benefits from the entity is probable, and the liability can be estimated reliably.
Contingent liabilities are continuously reviewed to determine whether there is a possibility for the outflow of resources including economic benefits from the entity will be required to settle the obligation. Such contingent liabilities are disclosed to the financial statements, except for the situations where the potential for the outflow of resources and economic benefits from the entity is remote.
If an economic benefit to the entity is available, explanations are included in the notes to the financial statements about the contingent asset. If an economic benefit is certain, the asset and its related income changes are included in the financial statements at the time when they have occurred.
Environmental liabilities comprising environmental rehabilitation, quarry site rehabilitation and infilling and landfill site disposal have been estimated by the Company in line with plans formulated in view of statutory regulations, technological possibilities and management's best estimates. Estimated environmental liabilities are sensitive to changes in applicable interest rates as well as changes in environmental rehabilitation plans and costs that may ensue from deviations in estimated proven and probable reserves from the projected production plan or in disposal obligations from manners of use and physical conditions. It is estimated that the Company's liabilities in respect of environmental rehabilitation, quarry site rehabilitation and infilling and landfill site disposal will arise on expiry of quarry site operating licences and also in the case of landfill site disposal when stipulated capacities are reached or statutory regulations so require.

2.7.11 Financial income and expenses

Financial income consists of interest income on time deposits and exchange differences arising from financing activities. Financial expenses consist for the most part of interest expenses on loans, exchange difference and bank commission expenses.

2.7.12 Taxes estimated on company profit

Income tax expense consists of the sum of the period tax and deferred tax. Income tax is recognized in profit or loss other than those attributable to business combinations or directly to shareholders' equity or other comprehensive income.

(i) Current period tax

Tax expense for the period includes the current period tax expense and the deferred tax expense (Note 27). Tax for the period and the deferred tax are recognized as income or expense in the statement of consolidated comprehensive income for the period, provided that the tax is not related to a transaction that is recognized directly under shareholders' equity (in this case, it will be recognized in the shareholders' equity). Adjustment records related to tax liabilities in prior years are accounted for under the other operating expenses item. The current period tax expense is calculated in accordance with the tax laws that are in effect or highly likely to be in effect in the countries where subsidiaries operate. If the current tax law is open to interpretation, the management will periodically asses the tax statement, and when it deems necessary, set aside a provision for the debts to be paid to the tax authorities.

(ii) Deferred Tax

Deferred tax is calculated by using the liability method based on the temporary differences between what is stated in the subsidiaries' financial statements and in the relevant legal tax assessment account for the assets and liabilities. However, in the case that assets and liabilities with no effect on the commerce or on the profits or loss are entered in the financial statements for the first time, except for company mergers, the deferred tax assets or liabilities will not be entered in the financial statements. Deferred tax assets and liabilities are calculated based on the tax rates expected to be applied on the period when the tax assets or liability will be realized, by taking into consideration the tax rates and the tax legislation that were in effect or had entered into effect as of the date of statement of financial position.

Deferred tax liability is calculated for all taxable temporary differences, whereas deferred tax asset is entered in the consolidated financial statements, provided that it is highly possible to take advantage of the deductible temporary differences to earn taxable profits in the future.

Deferred tax liability that is calculated based on the temporary differences arising from the subsidiaries is shown in the consolidated financial statements, except for when the Group controls the timing of the cancellation of that temporary difference and the temporary difference cannot be cancelled in the foreseeable future. Deferred tax asset and liability with regard to income tax is tracked by the same tax authority; as such, deferred tax asset and liability for each company is mutually offset. As a result, the deferred tax position of the parent company and each subsidiary is offset in the consolidated financial statement.

(iii) Tax Exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Many related transactions and calculations, the effects of which on the final tax amount cannot be determined, are made during the normal course of business and such cases require the use of significant judgement in determining the provision for income tax. The Group records estimated additional tax liabilities as a consequence of tax related events. The Group recorded a part of the deferred tax receivables that arose from the transferred financial losses, which belong to certain subsidiaries and may be of use in the coming periods, due to the strong probability that such assets may be utilized in the future (Note 27). Where the ultimate tax consequences arising from these items differ from those initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they were set.

2.7.13 Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss and other comprehensive income are determined by dividing net period profit by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to their current shareholders from retained profits. Distribution of such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Accordingly, the weighted average number of shares used in these computations is determined considering the retrospective effects of the share certificate issues.

2.7.14 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Group between the reporting date when the financial statements are prepared and the date when the consolidated statement of financial position was authorized for the issue. The Group corrects its financial statements in accordance with situations if new evidence indicates that during the end of the period when the financial statements were prepared that these events were already present or in the event that such events arose after this date and that they require correction of the financial statements. If such events do not require restating the financial statements, the Group shall disclose such events in the related notes.

2.7.15 Dividends

Dividends distributed on the ordinary shares are offset and recognized with retained earnings in the period in which they are declared.

2.7.16 Statement of cash flows

In the cash flow statement, cash flows are classified and reported as operating, investing and financing activities. Cash flows result in cash flows resulting from the Group's operations. The Group presents operating cash flows in accordance with the defined method of defining cash flows, income expense accruals or deferrals related to previous transactions.

Cash flows from investing activities represent the cash flows used in / provided from investing activities by the Group (tangible and intangible asset investments) and the cash flows acquired from these activities.

Cash flows from financing activities represent the funds used in financing activities by the Group and repayment of these funds.

2.7.17 Goodwill

A company merger involves joining two separate businesses or business operations to form a distinct reporting unit. Mergers between entities which are not under common control are accounted using the purchase method within the scope of IFRS 3 "Business Combinations".

The excess of the consideration transferred on the purchasing cost undertaken, the fair value of the identifiable assets, liabilities and contingent liabilities acquired by the acquirers at the time of the purchase is reported as goodwill.

In business combinations, tangible assets, intangible assets and / or contingent liabilities which are not included in the financial statements of the purchased company but which qualify for separate recognition from goodwill are recognized in the financial statements at fair value as long as their fair value can be measured reliably. Goodwill amounts which are recognized in the financial statements of the purchased company cannot be measured as an identifiable asset. Goodwill is allocated to the smallest cash generating units, which can be followed for management's internal reporting purposes for impairment testing.

Goodwill impairment test are performed every year on the same date and if any indication related to impairment of goodwill is detected, then impairment tests are repeated more frequently. An impairment loss for goodwill is not reversed. Bargain purchase effect is recognized directly in profit or loss.

2.7.18 Borrowing costs and loans received

Bank borrowings are initially recognized with their amount at the date received, less any transaction cost. Subsequently, bank borrowings are reflected at their discounted cost using the effective interest method. The difference, between the amount from which the transaction costs are deducted and the discounted cost amount, is recognized as financial expense in the consolidated statement of comprehensive income during the loan period. The financial expense that occurs resulting from the received loans is reported in the consolidated statement of profit or loss and other comprehensive income. If the maturity of the loans is less than 12 months as of balance sheet date, it is shown in the short term liabilities; if the maturity of the loans is more than 12 months as of balance sheet date, it is shown in the long term liabilities.

2.7.19 Related parties

a) A person or a close member of that person's family is related to a reporting entity if:

That person

i) Has control or joint control over the reporting entity,

ii) Has important influence over the reporting entity,

iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) If any of the following conditions apply, the entity is deemed related to the Group:

i) The entity and the reporting entity are members of the same group,

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),

iii) Both entities are joint ventures of the same third party,

iv) One of the entities is a joint venture of a third entity and the other entity is an associate of the third entity,

v) The entity has benefit plans available upon termination of employment for the employees of the Group or of a business with connection to the Group (If the Group itself has such a plan, then sponsoring employers are connected to the Group as well),

vi) Controlled or jointly controlled by a person described in article (a) of the entity,

vii) A person described in article (a)(i) has important influence on the entity or is a key executive of the entity (or of the parent company of the entity).

Related-party transactions and related-party balances have been presented in Note 4.

2.7.20 Reciprocal shareholding share purchase

Reciprocal shareholdings have been recorded and shown in consolidated financial statements deducted from paid-in capital. The number of weighted average treasury stocks is deducted from the number of current shares in calculation of the earning / (loss) per share.

2.7.21 Trade Receivables

Trade receivables ensuing from the supply of a good or service to a buyer by the Group are shown net of deferred financing income. Short-term receivables not having a determined interest rate have been shown at the original invoice value since the interest accrual effect is not very great. Should there exist objective evidence that collection has become impossible, the Group sets aside a reserve for doubtful receivables in respect of the receivable in question. Situations such as the receivable being at the litigation or enforcement stage or in preparation for this, the debtor falling into serious financial difficulties, the debtor falling into default or the likelihood that a serious delay of unforeseeable duration will be experienced constitute objective evidence. The amount of the reserve in question is the difference between the recorded value of the receivable and the amount that is uncollectable.

Furthermore, since trade receivables recognized at amortised cost included in financial statements have no material financial component, the Group has elected to employ the simplified procedure for calculating impairment and employs the provision approach. By means of this approach, where trade receivables have not for various reasons become impaired, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses. In calculating the expected credit loss, as well as past credit loss experiences, the Group's future-orientated forecasts are taken into account.

Following the setting aside of a reserve for a suspect receivable, should the amount of the suspect receivable be collected in full or in part, the amount collected is deducted from the doubtful receivable provision and is recorded as income on the profit or loss statement.

2.7.22 Going concern

The Group has prepared its consolidated financial statements based on the going concern principle.

2.7.23 Trade Payables

Trade payables are booked at fair value.

2.8 Significant Accounting Evaluations, Estimates and Assumptions

The preparation of consolidated financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the date of statement of financial position, the explanations of contingent assets and liabilities and the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Group management's best knowledge of current events and transactions, actual results may differ from these assumptions. The Group's important accounting projections and forecasts:

2.8.1 Goodwill impairment test

Within the scope of provisions under the "Impairment of Assets" standard ("TAS 36") published by the Public Oversight Board, the Group is conducting impairment tests into the estimates and assumptions used to a significant extent with regard to the amounts of goodwill ensuing from the acquisitions of Lalapaşa and Elazığ Çimento, Süreko and NWM Holding. The Group completed the impairment tests regarding the goodwill on 31 December 2019 (Note 15). No impairment has been found.

2.8.2 Evaluation of impairment on property, plant and equipment

The Group assesses its operational performance separately on an individual cash-creating-unit basis in accordance with the provisions of TAS 36 "Impairment of Assets," and decides whether to suspend operations of the cash-creating-units or conduct the impairment test based on profitability analyses performed during the year and cash flow projections for the next year. The values that may materialize during the realization of the purchase / sale transactions may differ from the net book values of the cash-creating-units (Note 12).

2.8.3 Fair value measurements of investment property

As of 31 December 2019, investment properties are valued by the independent professional valuation company Vakıf Gayrimenkul Değerleme A.Ş. and the fair values determined in the valuation studies carried out by the

Company has been reflected in the financial statements. The peer comparison model was used in fair value determinations for land and plots and buildings and details of the method and assumptions involved are as follows:

- An assessment of the most effective and efficient use was made in fair value calculations.
- In the benchmarking method, the existing market information was utilized, similar real estate that recently came on the market were taken into account, sales discounts were applied in relation to the criteria that could affect the market value and a price adjustment has been made to establish an average square metre price. The similar identified real estates were compared with respect to criteria such as location, visibility, size, infrastructure facilities, construction styles, construction permits and features, physical characteristics, discussions were held with real estate brokers for a current evaluation of the real estate market, going rates in the construction market were looked at and information was shared with independent professional valuation firms. The valuation technique used in measuring the fair value of investment properties is the market value approach based on similar property sales in the neighbourhoods of the specified property.
- In the project development method, the fair value of the immovable property was appraised with reference to per square metre construction costs in conjunction with per square metre sales values arrived at on a flat for land or build and sell basis of peers located in the vicinity.

The values that may materialize during the realization of the purchase / sale transactions may differ from these values.

2.8.4 Trade receivables and impairment

In assessing the recoverability of the trade receivables in question, Group management considers collateral obtained from customers, past collection performance, maturity analyses and disputes or lawsuits over the receivables. Once these assessments result in the identification of doubtful receivables, the method for determining the amounts of provision set aside for such receivables also involves assumptions and estimates.

2.9 Statement of compliance with the TFRS and the principles published by the POA

The Group management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS issued by the POA and using the principles of the POA. As the Group management, we declare that the financial statements of the current and previous years and the summary of the significant accounting policies and the Notes are prepared in accordance with TFRS.

3. SEGMENT REPORTING

There are three reportable operation areas that contain the information that is used to assess the Group administration's performance and decide on resource allocation. These strategic reportable segments are reviewed periodically by the Group's decision-making authority in accordance with their performances and resource allocations since they are affected by different economic conditions and different geographical positions.

The Group's main segments are cement, ready-mixed concrete and waste management. There is fuel oil sale service and fly ash production under the other group, which do not meet the reportable unit criteria.

Gross profit is used in assessing the performance of the segments periodically. The Group management considers gross profit as the best indicator in assessing the performance of the segments since it is comparable with other companies in the same sector.

1 January - 31 December 2019	Cement	Ready-mixed concrete	Waste management	Other	Elimination	Total
Revenue						
External Revenue	480.018	174.147	91.138	67.972	—	813.275
Intersegment revenue	59.840	13	2.437	20.853	(83.143)	—
Net sales	**539.858**	**174.160**	**93.575**	**88.825**	**(83.143)**	**813.275**
Cost of Sales	**(529.384)**	**(162.712)**	**(93.616)**	**(86.820)**	**77.568**	**(794.964)**
Gross Profit / (Loss)	**10.474**	**11.448**	**(41)**	**2.005**	**(5.575)**	**18.311**
Interest income	2.295	629	1.599	12	(1.039)	3.496
Interest expense	(5.950)	(733)	(1.813)	(57)	1.897	(6.656)
Depreciation and amortization expenses	35.577	4.546	23.961	105	(434)	63.755
Impairment	—	—	(18.769)	—	—	(18.769)
Investment property value appreciation	39.695	815	—	—	—	40.510
Gain on sale of non-current assets	3	156	345	—	—	504
Tax income / (expense)	11.447	522	(4.672)	(154)	1.097	8.240
Net profit / (loss) for the period	(55.303)	(2.304)	(40.881)	372	(5.728)	(103.844)
Segments assets	2.203.923	128.492	611.711	15.928	(1.259.460)	1.700.594
Acquisitions of tangible and intangible assets	25.634	2.755	1.856	2	—	30.247
Segment liabilities	445.308	84.419	432.791	13.747	(478.284)	497.981

1 January - 31 December 2018	Cement	Ready-mixed concrete	Waste management	Other	Elimination	Total
Revenue						
External Revenue	565.231	252.858	88.381	63.779	—	970.249
Intersegment revenue	86.575	—	2.559	26.058	(115.192)	—
Net sales	**651.806**	**252.858**	**90.940**	**89.837**	**(115.192)**	**970.249**
Cost of Sales	**(523.638)**	**(243.676)**	**(94.291)**	**(87.643)**	**108.460**	**(840.788)**
Gross Profit / (Loss)	**128.168**	**9.182**	**(3.351)**	**2.194**	**(6.732)**	**129.461**
Interest income	16.942	823	758	10	(13.865)	4.668
Interest expense	(3.122)	(190)	(15.444)	(47)	13.865	(4.938)
Depreciation and amortization expenses	33.629	2.675	20.165	91	—	56.560
Impairment	—	—	—	—	—	—
Investment property value appreciation	65.758	4.070	—	—	—	69.828
Gain on sale of non-current assets	335	13.025	3.771	—	—	17.131
Tax income / (expense)	3.018	(243)	(3.585)	(195)	976	(29)
Net profit / (loss) for the period	16.400	9.214	(41.425)	687	(2.816)	(17.940)
Segments assets	2.204.249	117.039	662.870	7.805	(1.251.028)	1.740.935
Acquisitions of tangible and intangible assets	39.946	2.547	3.722	20	—	46.235
Segment liabilities	462.502	70.180	436.353	5.517	(467.817)	506.735

4. RELATED PARTY DISCLOSURES

4.1 Due from Related Parties

Short-term trade receivables from related parties as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Yapıtek Yapı Teknolojisi Sanayi ve Ticaret A.Ş. ("Yapıtek")	25	610
Çimentaş Education and Health Foundation ("Çimentaş Foundation")	15	13
	40	**623**

4.2 Other Short-Term Receivables from Related Parties

Short-term other receivables from related parties as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Aalborg Portland Espana	75	241
	75	**241**

4.3 Short-Term Trade Payables Due to Related Parties

Short-term trade payables due to related parties as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Cementir Holding (*)	22.777	69.126
Aalborg (**)	9.167	7.417
Çimentaş Foundation	341	229
Spartan Hive (***)	—	35.240
	32.285	**112.012**

(*) As of 31 December 2019, the Group owes Cementir Holding TL 22.777 thousand , which arise from EUR 3.425 thousand of brand usage and consultancy service fees (31 December 2018: TL 69.126 thousand, or EUR 11.467 thousand).

(**) A TL 3.651 million portion of the payables due to Aalborg as of 31 December 2019 consisted of consultancy services, while the remaining TL 5.516 million portion was attributable to goods purchases (31 December 2018: TL 4.702 million and TL 2.715 million respectively).

(***)The Group's payable of TL 35.240 thousand equivalent to USD 6.698 thousand to Spartan Hive as of 31 December 2018 is in respect of petroleum coke purchases.

4.4 Other Short-Term Trade Payables Due to Related Parties

As of 31 December 2019 and 2018, other short-term payables to the related parties are as follows:

	31 December 2019	31 December 2018
Aalborg Portland Holding (*)	61.430	44.286
Cementir Holding	31	47
Yapıtek	3	37
	61.464	**44.370**

(*) The payable due as 31 December 2019 to Aalborg Portland Holding consists of the loan at the interest rate of 2,07% in the amount of GBP 7.899 thousand made to the Group by the said company.

4.5 Other Long-Term Payables to Related Parties

As of 31 December 2019 and 2018, other long-term payables to the related parties are as follows:

	31 December 2019	31 December 2018
Alfacem (*)	55.200	50.032
	55.200	**50.032**

(*) The payable due as 31 December 2019 to Alfacem consists of the loan maturing on 30 November 2021 at the interest rate of 4% in the amount of EUR 8.300 thousand made to the Group by the said company. The interest expense incurred on the said other payables is TL 2.393 thousand and has been presented in financial expenses (Note 26.2).

4.6 Capital Increases Conducted in 2019

Pursuant to Kars Çimento's Ordinary General Meeting of 19 March 2019, Kars Çimento's capital was increased by TL 75.984 thousand from TL 437.178 thousand to TL 513.162 thousand and share capital increase was paid in full by Kars Çimento shareholder, Alfacem S.r.L.

4.7 Goods and Service Sales to Related Parties

As of 31 December 2019 and 2018, goods and service sales to related parties are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Spartan Hive	6.155	8.181
Yapıtek	247	3.273
Çimentaş Foundation	30	28
	6.432	**11.482**

4.8 Goods and Service Purchases from Related Parties

As of 31 December 2019 and 2018, goods and service purchases from related parties are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Cementir Holding (*)	25.305	31.529
Aalborg (**)	5.057	5.335
Çimentaş Foundation	849	890
Spartan Hive (***)		—
81.794		
	31.211	**119.548**

(*) The amounts in question are in respect entirely of service purchases and consist of brand usage and consultancy service fees for 2019 based on the brand usage fee and service contracts signed with Cementir Holding on 1 January 2017.

(**) Of this amount, TL 1.689 thousand derives from the consultancy services with regard to the service contract signed with Aalborg to enter into effect on 1 January 2013, and the rest comes from purchases of goods. As of 31 December 2019, the said consultancy services consist of technical assistance consultancy and investment relations, organization, management and internal auditing services.

(***) All of this amount derives from the petroleum coke purchases made from Spartan Hive.

4.9 Senior manager benefits

Çimentaş Group's executives consist of directors and senior officers. The following benefits are provided to the executives between 31 December 2019 and 2018:

	1 January- 31 December 2019	1 January- 31 December 2018
Short-term benefits for employees	11.567	11.073
	11.567	**11.073**

5. CASH AND CASH EQUIVALENTS

As of 31 December 2019 and 2018, cash and cash equivalents are detailed as follows:

	31 December 2019	31 December 2018
Cash on hand	42	32
Cash at banks	92.083	88.709
Demand deposits	5.644	11.955
Turkish Lira	*3.584*	*6.739*
Foreign currency	*2.060*	*5.216*
Time deposits	86.439	76.754
Turkish Lira	*19.135*	*23.269*
Foreign currency	*67.304*	*53.485*
Other (*)	1.091	1.708
Cash and Cash Equivalents	**93.216**	**90.449**

(*) As of 31 December 2019 and 2018, other cash and cash equivalent consists of credit card receivables and their maturity are shorter than three months.

Maturity of time deposits is within one month (31 December 2018: Within one month). As of 31 December 2019, foreign currency deposits consist of USD 11.347 thousand, GBP 226 thousand and EUR 31 thousand (31 December 2018: USD 5.509 thousand EUR 4.862 thousand and GBP 62 thousand). As of 31 December 2019 and 2018, the weighted average yearly effective interest rates of the time deposits of the related currencies are as follows:

	31 December 2019	31 December 2018
TL time deposits	9,14%	22,85%
USD time deposits	1%	3,94%
EUR time deposits	—	1,50%

As of 31 December 2019, the Group did not have any compensating deposit balance (31 December 2018: None). Credit risks of the banks that hold the Group's deposits are assessed based on independent data.
Interest rate risk, exchange rate risk and sensitivity analyses of the Group's financial assets and liabilities have been set out in Note 29.

6. FINANCIAL BORROWINGS

Financial liabilities as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Short term bank borrowings		
Short portion of liabilities from lease transactions	4.676	513
Total short term financial borrowings	**4.676**	**513**
Long term financial borrowings:		
Long-term portion of liabilities from lease transactions	5.228	260
Total long term financial borrowings	**5.228**	**260**
Total financial debt	**9.904**	**773**

There follows a breakdown by maturity date of financial liabilities in respect of right of use assets:

	31 December 2019
Less than 3 months	1.212
3-12 months	3.464
1 - 2 years	2.959
2 - 5 years	2.269
	9.904

The weighted average of the Group's incremental borrowing rate applied to lease liabilities as of 1 January 2019 is 18.44% for that denominated in TL, 4% for that denominated in EUR and 2.20% for that denominated in GBP.

7. TRADE RECEIVABLES AND PAYABLES

7.1 Short-Term Trade Receivables

As of 31 December 2019 and 2018, short-term trade receivables are as follows:

	31 December 2019	31 December 2018
Accounts receivable	194.633	200.013
Notes and cheques receivables	86.820	62.006
	281.453	**262.019**
Less: Provision for doubtful trade receivables	(14.484)	(10.344)
	266.969	**251.675**

The trade receivables collection period, while varying according to product type and contracts made with customers, averages three months (31 December 2018: 3 months).

Maturities for short-term trade receivables from non-related parties as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Overdue receivables	67.741	71.505
0 - 30 day	78.968	97.152
31 - 60 day	59.682	51.764
61 - 90 days	48.222	21.110
91 days and over	12.356	10.144
Total	**266.969**	**251.675**

Considering past experience and the current economic situation, the Group management assesses and where necessary allocates an appropriate proportion of the provision for doubtful receivables. The current year changes in the provision for doubtful receivables are as follows:

	31 December 2019	31 December 2018
Beginning of the period	**10.344**	**9.435**
Doubtful receivables for the period (Notes 24.2)	4.319	923
Doubtful receivables collected during the period	(85)	-
Doubtful receivables written-off during the period	(152)	(51)
Currency translation difference	58	37
End of the period	**14.484**	**10.344**

Details of the credit and market risk, exchange rate risk and impairment of the Group's short-term trade receivables are set out in Note 29.

7.2 Short-Term Trade Payables

As of 31 December 2019, short-term trade payables to non-related parties is TL 194.632 thousand (31 December 2018: TL 141.489 thousand) due to various suppliers.

Comments on the exchange rate and liquidity risk to which the Group is exposed are set out in Note 29.

8. OTHER RECEIVABLES AND PAYABLES

8.1 Other Short-Term Receivables from Third Parties

As of 31 December 2019 and 2018, other long-term receivables from third parties are as follows:

	31 December 2019	31 December 2018
Receivables from public institutions	3.573	4.303
Receivables from insurance company	1.105	—
Deposits and guarantees given	127	101
Other	3.393	2.543
	8.198	**6.947**

8.2 Other Long-Term Receivables from Third Parties

As of 31 December 2019 and 2018, other long-term receivables from third parties are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees given	757	873
	757	**873**

8.3 Other Short-Term Payables to Third Parties

As of 31 December 2019 and 2018, other short-term payables to third parties are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received(*)	757	738
Payables from contractual obligations	—	1.188
Other	148	460
	905	**2.386**

(*) All of the Deposits and guarantees consist of collateral received in cash from the Group's customers.

9. INVENTORIES

As of 31 December 2019 and 2018, details of inventories are as follows:

	31 December 2019	31 December 2018
Raw materials	91.343	111.569
- Spare parts and operating supplies	*62.888*	*66.065*
- Fuel	*17.494*	*32.230*
- Gypsum	*2.006*	*3.436*
- Packaging materials	*1.565*	*1.893*
- Clay	*3.247*	*1.571*
- Iron ore	*1.372*	*822*
- Other	*2.771*	*5.552*
Work in process	29.606	38.689
Finished goods	5.242	6.558
Trade goods	1.369	1.158
Goods in transit	10.047	48.250
	137.607	**206.224**

As of 31 December 2019, total of raw material, semi-finished products and finished goods, which were recognized as an expense during the period and included in cost of sales is TL 374.636 thousand (31 December 2018: TL 416.900 thousand) (Note 23).

As of 31 December 2019, there is no impairment on the inventories (31 December 2018: None).

As of 31 December 2019, there is no mortgage/pledge on the inventories (31 December 2018: None).

10. PREPAID EXPENSES AND DEFERRED INCOME

10.1 Short-Term Prepaid Expenses

As of 31 December 2019 and 2018, short-term prepaid expenses are as follows:

	31 December 2019	31 December 2018
Prepaid Expenses	6.644	3.390
Job advances given	4.372	10.811
Other	516	1.323
	11.532	**15.524**

Prepaid expenses comprised prepaid insurance and rent expenses.

10.2 Long Term Prepaid Expenses

As of 31 December 2019 and 2018, long-term prepaid expenses are TL 65 thousand (31 December 2018: TL 454 thousand). Of this amount, TL 36 thousand (31 December 2018: TL 425 thousand) consists of supplier advances given as part of long-term asset purchases.

10.3 Short Term Deferred Income

As of 31 December 2019 and 2018, short-term deferred income is as follows:

	31 December 2019	1 December 2018
Advance payments for orders received	3.309	8.076
Other	308	485
	3.617	**8.561**

Received order advances consist of the payments the Group received from dealers and customers for the coming period orders.

11. INVESTMENT PROPERTIES

For the years ending on 31 December, the change in investment properties is as follows:

	2019	2018
1 January	**369.750**	**299.922**
Changes in fair value (Note 25.1)	40.510	69.828
31 December	**410.260**	**369.750**

Investment properties are the properties which the Group holds in hand and are intended to be appreciated in the future and not to be utilized in the production or supply of goods and services or administrative course of the business, in order to obtain value appreciation.

As of 31 December 2019 and 2018, fair values of the investment properties are as follows:

	31 December 2019	31 December 2018
Land	390.105	350.765
Buildings	20.155	18.985
	410.260	**369.750**

As of 31 December 2019, there are no mortgages on the investment properties (31 December 2018: None).

Fair value hierarchy

On 31 December 2019, the Group commissioned Vakıf Gayrimenkul Değerleme A.Ş. to survey the market prices of investment properties and reported the properties in fair value based on the appraisal reports.

The fair value of the investment property amounting to TL 410.260 thousand has been categorized as a Level 2 fair value based on the inputs to the valuation technique used.

12. TANGIBLE ASSETS

The Group's tangible assets comprise mine assets and other non-current assets and their carrying amounts are as follows:

	31 December 2019	31 December 2018
Quarry assets	36.643	36.937
Other non-current assets	455.647	490.549
	492.290	**527.486**

12.1 Quarry assets

Quarry assets are composed of the discounted costs of rehabilitation and closure of the mine sites. Changes of mine sites for the years ending on 31 December 2019 and 2018 are as follows:

	1 January 2019	Additions	Transfer	Foreign Currency Translation Differences	31 December 2019
Cost of rehabilitation of mining areas	86.686	6.110	—	12.242	105.038
Accumulated depreciation	(49.749)	(11.448)	—	(7.198)	(68.395)
	36.937				**36.643**

	1 January 2018	Additions	Transfer	Foreign Currency Translation Differences	31 December 2018
Cost of rehabilitation of mining areas	65.402	6.159	-	15.125	86.686
Accumulated depreciation	(35.457)	(6.100)	-	(8.192)	(49.749)
	29.945				**36.937**

12.2 Other non-current assets

Movements in property, plant and equipment for the year ended 31 December 2019 are as follows:

	1 January 2019	Additions	Disposals	Impairment	Transfers(*)	Foreign currency translation differences	31 December 2019
Cost:							
Land	84.741	69	—	—	—	—	84.810
Land improvements	83.208	—	—	—	1.613	—	84.821
Buildings	170.995	1.131	(1.218)	—	746	1.379	173.033
Machinery, installations, and devices	1.121.750	297	(951)	—	41.709	9.144	1.171.949
Motor vehicles	19.312	187	(1.492)	—	422	22	18.451
Furniture and fixtures	38.086	744	(10)	—	214	617	39.651
Other intangible assets	3.393	—	—	—	—	—	3.393
Leasehold improvements	27.613	—	—	—	582	—	28.195
Construction in progress	25.041	27.819	—	—	(45.458)	—	7.402
Total Cost	**1.574.139**	**30.247**	**(3.671)**	**—**	**(172)**	**11.162**	**1.611.705**
Accumulated depreciation and impairment:							
Land improvements	(62.079)	(1.769)	—	—	—	—	(63.848)
Buildings	(92.302)	(2.771)	195	—	—	(1.324)	(96.202)
Machinery, installations, and devices	(871.305)	(39.702)	939	(10.900)	—	(5.111)	(926.079)
Motor vehicles	(14.670)	(1.127)	1.489	—	—	(20)	(14.328)
Furniture and fixtures	(30.961)	(2.529)	6	—	—	(514)	(33.998)
Other intangible assets	(3.393)	—	—	—	—	—	(3.393)
Leasehold improvements	(8.880)	(1.461)	—	(7.869)	—	—	(18.210)
Total accumulated depreciation and impairment	**(1.083.590)**	**(49.359)**	**2.629**	**(18.769)****	**—**	**(6.969)**	**(1.156.058)**
Net book value	**490.549**						**455.647**

(*) Construction in progress amounting to TL 172 thousand was classified under intangible fixed assets as of 31 December 2019.

(**) The amount in question consists of the impairment applied to machinery, installations and devices and to special costs as a consequence of the impairment test conducted as of 31 December 2019 (Note 25.2).

As of 31 December 2019, there were no charges such as mortgages or pledges on fixed tangible assets (31 December 2018: None).

As of 31 December 2019, there was no capitalized borrowing cost on the tangible assets (31 December 2018: None).

Movements in property, plant and equipment for the year ended 31 December 2018 are as follows:

	1 January 2018	Additions	Disposals	Transfers(*)	Foreign Currency Translation Differences	31 December 2018
Cost:						
Land	86.349	2.082	(3.774)	84	—	84.741
Land improvements	83.040	—	(226)	394	—	83.208
Buildings	172.491	42	(4.985)	470	2.977	170.995
Machinery, installations, and devices	1.107.484	1.390	(23.884)	19.188	17.572	1.121.750
Motor vehicles	23.122	2.000	(8.468)	879	1.779	19.312
Furniture and fixtures	37.709	497	(1.477)	225	1.132	38.086
Other intangible assets	3.393	—	—	—	—	3.393
Leasehold improvements	27.176	—	(43)	480	—	27.613
Construction in progress	7.777	40.224	(150)	(22.810)	—	25.041
Total Cost	**1.548.541**	**46.235**	**(43.007)**	**(1.090)**	**23.460**	**1.574.139**
Accumulated depreciation and impairment:						
Land improvements	(60.528)	(1.740)	189	—	—	(62.079)
Buildings	(89.707)	(3.988)	4.006	—	(2.613)	(92.302)
Machinery, installations, and devices	(841.458)	(40.547)	20.845	—	(10.145)	(871.305)
Motor vehicles	(19.882)	(1.019)	7.846	—	(1.615)	(14.670)
Furniture and fixtures	(28.558)	(2.300)	484	—	(587)	(30.961)
Other intangible assets	(3.393)	—	—	—	—	(3.393)
Leasehold improvements	(7.152)	(1.734)	6	—	—	(8.880)
Total accumulated depreciation and impairment	**(1.050.678)**	**(51.328)**	**33.376**	**—**	**(14.960)**	**(1.083.590)**
Net book value	**497.863**					**490.549**

(*) Construction in progress amounting to TL 1.090 thousand was classified under intangible fixed assets as of 31 December 2018.

The distribution of current period amortisation and depreciation expenses of tangible and intangible assets and rights of use is as follows:

	1 January- 31 December 2019	1 January – 31 December 2018
Cost of Sales	56.542	52.689
General administrative expenses	6.493	3.733
Marketing expenses	720	138
Inventories	2.444	4.109
Total	**66.199**	**60.669**

13. RIGHT OF USE ASSETS

The right of use assets movement table for the accounting period ending 31 December 2019 is as follows:

	1 January 2019(*)	Additions	Disposals	Foreign Currency Translation Differences	31 December 2019
Cost:					
Land	607	—	—	—	607
Buildings	1.726	—	—	291	2.017
Machinery, installations, and devices	317	896	—	53	1.266
Vehicles	7.008	2.845	(950)	32	8.935
Total Cost	**9.658**	**3.741**	**(950)**	**376**	**12.825**
Accumulated depreciation:	**1 January 2019**	**Current period amortisation (**)**	**Disposals**	**Foreign Currency Translation Differences**	**31 December 2019**
Land	—	(145)	—	—	(145)
Buildings	—	(442)	—	(34)	(476)
Machinery, installations, and devices	—	(154)	—	(7)	(161)
Vehicles	—	(3.372)	381	(3)	(2.994)
Total accumulated depreciation	**—**	**(4.113)**	**381**	**(44)**	**(3.776)**
Net book value	**9.658**				**9.049**

(*) Detailed information has been provided in Note 2.5 about the incorporation of right of use assets into financial statements under initial transition to the TFRS 16 Leases standard.
(**) The distribution of amortisation expenses of right of use assets has been presented in Note 12.2.

14. INTANGIBLE ASSETS

For the year ending on 31 December 2018, changes of the intangible assets are as follows:

	1 January 2019	Additions	Disposals	Transfers(*)	Foreign currency translation differences	31 December 2019
Cost:						
Rights	7.343	—	—	21	—	7.364
Kömürcüoda agreement	28.061	—	—	—	—	28.061
Other intangible assets	26.974	—	—	151	2.505	29.630
Total Cost	**62.378**	**—**	**—**	**172**	**2.505**	**65.055**
Accumulated amortization and impairment:						
Rights	(2.519)	(181)	—	—	—	(2.700)
Kömürcüoda agreement	(28.061)	—	—	—	—	(28.061)
Other intangible assets	(25.368)	(1.098)	—	—	(2.505)	(28.971)
Total accumulated amortization and impairment:	**(55.948)**	**(1.279)**	**—**	**—**	**(2.505)**	**(59.732)**
Net book value	**6.430**					**5.323**

(*) Intangible fixed assets amounting to TL 172 thousand were classified as construction in progress as of 31 December 2019.

For the year ending on 31 December 2018, changes of the intangible assets are as follows:

	1 January 2018	Additions	Disposals	Transfers(*)	Foreign currency translation differences	31 December 2018
Cost:						
Rights	7.522	—	(339)	160	—	7.343
Kömürcüoda agreement	28.061	—	—	—	—	28.061
Other intangible assets	22.543	—	(4)	930	3.505	26.974
Total Cost	**58.126**	**—**	**(343)**	**1.090**	**3.505**	**62.378**
Accumulated amortization and impairment:						
Rights	(2.514)	(214)	209	—	—	(2.519)
Kömürcüoda agreement	(28.061)	—	—	—	—	(28.061)
Other intangible assets	(19.219)	(3.027)	4	—	(3.126)	(25.368)
Total accumulated amortization and impairment:	**(49.794)**	**(3.241)**	**213**	**—**	**(3.126)**	**(55.948)**
Net book value	**8.332**					**6.430**

(*) Intangible fixed assets amounting to TL 1.090 thousand were classified as construction in progress as of 31 December 2018.

(i) Kömürcüoda Agreement

On 11 March 2011, for a cost of TL 12.100 thousand the Group purchased all of the production facility equipment belonging to Ekosistem Atık Ambalajları Kaynağında Kazanım Ayrıştırma ve Geri Kazanım Ltd. ("Ekosistem"), and the build-operate agreement ("Kömürcüoda Agreement") that was drawn up between Ekosistem and İstaç for the recycling and composting facility on the Kömürcüoda sanitary landfill area.

It was determined that the asset integrity that was taken over from Ekosistem can be run and operated as a business. Therefore, this purchase is considered to fall within the scope of TFRS 3 "Company Mergers." The Kömürcüoda agreement was reported as an intangible asset for an amount of TL 28.061 thousand in accordance with TFRS 3 purchase accounting. Impairment in past years was recorded for the entire carrying value of the intangible asset in question.

The asset group was subjected to an impairment test due to a decline in the operational and financial performance of Recydia's Istanbul Hereko Branch. The impairment test was conducted under TAS 36 employing the discounted cash flow method on a cash generating unit (CGU) basis. The CGU is the Istanbul Hereko Branch of the Group's subsidiary Recydia. The carrying amount of the tangible and intangible assets in question is TL 29.895 thousand as of 31 December 2019.

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

i) Values used in the assumptions are based on the future trend assessment of management in the related industry and historical data which is obtained from both internal and external sources. Material assumptions that were used in calculating recyclable amounts were the discount rate 15.00% (2018: 15.90%), the growth rate 5.50% (2018: 5.50%) and EBITDA/net sales ratio range is between 13.14% - 15.20% (2018: 38.09% - 44.54%).

ii) Cash flow projections consist of specific ten-year projections and the eventual growth rates by 2035 when the Kömürcüoda agreement ends.

iii) Budgeted EBITDA is based on the past five years' recycling prices and market trends and on the prices of fuel produced with the domestic waste stated in the contracts signed with the customers. Projected increases in sales revenue and envisaged cost optimizations in future years have increased EBITDA.

It was determined from the impairment test conducted on 31 December 2019 that the carrying amount assigned to the cash-generating unit exceeds its recoverable value and an impairment loss of TL 18.769 thousand (31 December 2018: None) was recognized under the "expenses from investment activities" account. Following impairment of machinery, plant and equipment along with special costs, the CGU's carrying amount is equal to its recoverable value. As such, any negative change that comes about in key assumptions will result in additional impairment loss.

It was ascertained that, keeping the other variables constant, if a 1% increase is made to the discount rate from among the assumptions employed, the CGU's recoverable value will be less than the book value under existing circumstances by TL 2.524 thousand (31 December 2018: TL 5.489 thousand); keeping the other variables constant, if the EBITDA/net sales ratio is reduced by 1%, the CGU's recoverable value will be less than the book value under existing circumstances by TL 2.924 thousand (31 December 2018: TL 2.182 thousand); and if the growth rate is reduced by 1%, the CGU's recoverable value will be less than the book value under existing circumstances by TL 371 thousand (31 December 2018: TL 3.590 thousand).

15. GOODWILL

As of 31 December 2019 and 2018, goodwill comprises the follows:

	31 December 2019	31 December 2018
Goodwill from acquisition of Lalapaşa	138.665	138.665
Goodwill from acquisition of Sureko	21.691	21.691
Goodwill from acquisition of NWM Holding	20.935	17.910
Goodwill from acquisition of Elazığ Çimento	13.506	13.506
	194.797	**191.772**

(i) Acquisition of Lalapaşa

The Group participated in the auction for Lalapaşa arranged by the Saving Deposits Insurance Fund ("SDIF") on 10 October 2005 and acquired Lalapaşa for a purchase consideration of TL 223.510 thousand (USD 166.500.000). Following the approval of Competition Board and Fund Board, control of Lalapaşa was transferred to the Group on 28 December 2005 and the acquisition is recognized in accordance with TFRS 3.

The Group's management conducted an impairment test on the goodwill arising from the acquisition of Lalapaşa by using the reduced cash-flow method pursuant to the provisions of TAS 36. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2019.

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

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio range is between the 25% and 28% (2018: 31% - 33%) and in the Weighted Average Cost of Capital value, accepted as 15,50% (2018: 16,40%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2020 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2019, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 75.293 thousand. When a 2.5% increase is applied as discount rate on the values used in assumptions by keeping the other variables constant for the estimated recoverable amount to be equal to the carrying amount, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to its carrying amount when the EBITDA/net sales ratio is reduced down to 3,9% from the values used in assumptions with the other variables kept constant.

(ii) Acquisition of Elazığ Çimento

On 21 September 2006, the Group acquired 99,99% of net assets of Elazığ Çimento for a purchase consideration of USD 110.000.000, equivalent to TL 161.116 thousand. The acquisition was reported in accordance with the provisions of TFRS 3, "Business Combinations" and no other identifiable intangible assets have been detected whose fair value can be measured reliably, and the related goodwill reflected on the consolidated financial statements amounts to TL 13.506 thousand.

The Group's management conducted an impairment test on the goodwill arising from the acquisition of Elazığ Çimento by using the reduced cash-flow method pursuant to the provisions of TAS 36. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2019.

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

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio range is between the 3% and 17% (2018: 3% 16%) and in the Weighted Average Cost of Capital value, accepted as 15,50% (2018: 16,40%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2020 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2019, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 19.819 thousand. For the forecast recoverable amount to equal the carrying amount, if the discount rate from among the assumptions employed is increased by 1% and the other variables are kept constant, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced as far as 1% from the values used in assumptions with the other variables kept constant.

(iii) Acquisition of Süreko

On 01 September 2009, the Group acquired 69.9% of net assets of Süreko for a purchase consideration of USD 10.759 thousand, equivalent to TL 22.853 thousand. Acquisition is valued according to the principles of TFRS 3 "Business Combinations". Calculated after the acquisition, the goodwill amounting to TL 21.691 thousand is recognized in the consolidated financial statements.

In accordance with the principles of TAS 36, goodwill from the acquisition of Sureko is subject to an impairment test by the Group management, using the method of discounted cash flow. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2019.

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

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio range is between the 8% and 24% (2018: 9% - 27%) and in the Weighted Average Cost of Capital value, accepted as 15,00% (2018: 15,90%).

b) While the EBITDA/net sales ratio complies with the budgets that the Company has prepared for 2020 and afterwards, the Weighted Average Cost of Capital is dependent on certain macroeconomic and waste sector-related variables.

As of 31 December 2019, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 11.593 thousand. For the forecast recoverable amount to equal the carrying amount, if the discount rate from among the assumptions employed is increased by 2,1% and the other variables are kept constant, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced as far as 3,6% from the values used in assumptions with the other variables kept constant.

(iv) Acquisition of NWM Holding

Recydia, a subsidiary of the Group acquired 100% of the net assets of NWM Holding amounting to GBP 8.600 thousand which is equivalent to TL 24.170 thousand, on 4 July 2012. The acquisition was treated pursuant to the provisions of TFRS 3 "Business Combinations" and goodwill relating to NWM Holding was incorporated into consolidated financial statements.

In accordance with the principles of TAS 36, goodwill from the acquisition of NWM Holding is subject to an impairment test by Group management, using the method of discounted cash flow. No impairment was found as a result of the test conducted by taking into consideration the current conditions and generally accepted appraisal techniques on 31 December 2019. In the valuation technique applied, the impairment test of the goodwill is based on the following assumptions:

a) These generally accepted appraisal techniques are highly sensitive to the changes in the EBITDA/Net Sales ratio range is between the 9% and 10%. (2018: 10% - 13%) and in the Weighted Average Cost of Capital value, accepted as 6,80% (2018: 7%).

b) While the EBITDA/net sales ratio complies with the budgets that the Company has prepared for 2020 and afterwards, the Weighted Average Cost of Capital is dependent on certain macroeconomic and waste sector-related variables.

As of 31 December 2019, the estimated recoverable amount of the CGU exceeds its carrying amount by GBP 1.624 thousand. For the forecast recoverable amount to equal the carrying amount, if the discount rate from among the assumptions employed is increased by 1,6% and the other variables are kept constant, the CGU's recoverable amount is equal to its carrying amount. Likewise, the CGU's recoverable amount is equal to the carrying amount when the EBITDA / net sales ratio is reduced as fas as 1,2% from the values used in assumptions with the other variables kept constant.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

16.1 Commitments and contingent liabilities

a) Guarantees Given

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

	31 December 2019	31 December 2018
Letters of guarantee	47.947	40.040
Guarantees given through the direct debit system ("DDS") (*)	19.046	7.748
Guarantee notes	—	1.862
	66.993	**49.650**

(*) The total limit as of 31 December 2019 of guarantees the Group gives vendors through the DDS is TL 45.200 thousand and the balance in question in the statement constitutes the amount outstanding to suppliers as of the current period (31 December 2018: TL 34.000 thousand).

The Group's position related to letters of guarantee given, pledges and mortgages ("GPM") as of 31 December 2019 and 2018, is as follows:

	31 December 2019					31 December 2018				
	TL Equivalent	TL	USD	GBP	EUR	TL Equivalent	TL	USD	GBP	EUR
A The total amount of GPMs issued on its own corporate behalf	64.269	51.732	300	1.383	—	47.204	35.089	425	1.383	113
B The total number of GPMs issued in favour of fully consolidated partners included in full consolidation scope amount	2.724	2.724	—	—	—	2.446	2.446	—	—	—
C The total amount of GPMs issued to secure other third party debts for furtherance or ordinary commercial activities	—	—	—	—	—	—	—	—	—	—
D Total amount of Other GPM given	—	—	—	—	—	—	—	—	—	—
- Total amount of GPM given in favour of the parent company	—	—	—	—	—	—	—	—	—	—
- Total amount of GPM given in favour of the parent company	—	—	—	—	—	—	—	—	—	—
- Total amount of GPMs issued in favour of other group companies that do not fall under items of B and C	—	—	—	—	—	—	—	—	—	—
	66.993	**54.456**	**300**	**1.383**	**—**	**49.650**	**37.535**	**425**	**1.383**	**113**

The ratio of other GPMs issued to the total equity of the Group as of 31 December 2019 was 0,0% (31 December 2018: %0,0).

b) Bails received

As of 31 December 2019 and 2018, the details of the bails received are as follows:

	31 December 2019	31 December 2018
Bails Received	1.335	1.335
	1.335	**1.335**

c) Bails Given

None (31 December 2018: None).

d) Guarantees Received

As of 31 December 2019 and 2018, details of guarantees received are as follows:

	31 December 2019	31 December 2018
Letters of guarantee	204.449	212.008
Collateral received through DDS	36.963	50.397
Mortgages	35.736	30.281
Guarantee notes	10.711	10.437
Letters of credit	6.749	—
Collateral cheques	3.688	10.288
Pledges	3.374	2.580
Bails	1.335	1.335
	303.005	**317.326**

16.2 Important Lawsuits

- Compensation for damages lawsuit against the Group for the mining activities

Batı Madencilik which has a mining license within the boundaries of Edirne/Keşan started proceedings against the Group amounting to TL 1.045 thousand stating that they had incurred losses because the Group extracts pozzolan from the ground, for compensation of said loss. An expert report prepared during the trial includes statements against the Group. Therefore, the Group prepared a detailed petition against the decision of the court expert, and additionally a scientific view supported by Dokuz Eylül University, Faculty of Law was submitted to the court regarding this lawsuit. The court sentenced the Group to pay for TL 800 thousand. The Group management filed an appeal against the decision. The Supreme Court accepted the appeal of the Group and then the plaintiff company demanded a review of the decision. The demand of the plaintiff company was rejected and the case was sent back to local court. The Company's objection to the expert examination conducted was accepted and the court ruled for formation of a new commission of experts. The same company filed an additional lawsuit for damages against the Group for the same reasons amounting to TL 3.141 thousand in December 2009. Both actions for damages were consolidated. At the end of the trial, the court ruled to the detriment of the Group. The reasoned decision was delivered and it was appealed with a stay of execution request. The appeal request resulted in the favour of the company and the local court reversed the judgement. The plaintiff party applied for rectification of decision and the rectification of decision application has resulted in our company's favour. The case has been remitted to the local court for a retrial to be held. The proceedings are pending.

In addition, Batı Madencilik brought action for quarrying licence annulment against the Group. The demand for decertification was rejected as a result of the trial by Edirne Administrative Court and the lawsuit resulted in favour of the Group. Plaintiff appealed the ruling and in December 2011the 8th Chamber of the Council of State reversed the ruling by the Edirne Administrative Court. The Council of State's reason for reversing the judgement of the local court was due to procedural errors rather than the gist of the action or the decision. The trial on the reverse decision resulted in favour of the Group. The plaintiff appealed the decision to the Council of State, and the Council of State gave a decision in favour of the Group. The Council of State reviewed the ruling upon the plaintiff's request for revision of the ruling by the Council of State. The process ended in favour of the Group and the court's ruling became final. The final conclusion of the action for damages that was ruled against the Group depends on a positive outcome in the license cancellation case, which the Council of State settled as final ruling. Thus, the odds look in favour of the Group. Accordingly, the Group's management did not set aside any provisions in the 31 December 2019 consolidated financial statements as it believes the chances are high for a ruling in favour of the Group.

- The investigation and lawsuits of the Competition Board:

The Investigation of the Competition Board regarding Elazığ and Kars Çimento

The Competition Board commenced a pre-investigation of business dealings of all cement companies operating in the East and South-East Anatolian Region on 27 October 2010. The preliminary report was discussed at the meeting No. 10-78 dated 16 December 2010 of the Competition Board and an investigation was launched pursuant to article 41 of the Law to determine whether 10 enterprises, including Elazığ Çimento and Kars Çimento, had violated article 4 of the Law No. 4054 on the Protection of Competition. As a result of the investigation, the Competition Ruled concluded the companies to be in violation of the article 4 of the Law on the Protection of Competition. According to this, the Turkish Competition Board issued an administrative fine of TL 1.121 and 2.903 thousand, respectively against Kars Çimento and Elazığ Çimento for a total amount of TL 4.024 thousand. These fines were paid TL 3.018 thousand with a 25% discount within the given time period determined by Law of Misdemeanour in 19 November 2012. After the payment, both companies appealed to administrative court for the cancellation of the administrative fines mentioned above. The cancellation lawsuit issued for the administrative fines for Kars Çimento was rejected by the administrative court and the decision was appealed to a higher court. The period for the appeal has not been established yet. The lawsuit issued for Elazığ Çimento was accepted by the administrative court which cancelled the decision of the Competition Board based on the grounds that the penalty rate should be 2% of the revenue instead of 3%. After the cancellation, the amount of TL 2,177 thousand previously paid was refunded in 2014. The Competition Board has both appealed the decision of the Administrative Court and established a new decision complying with 2%, and the amount TL 1,451 thousand was paid by the Elazığ Çimento for this decision in 2014. Legal proceedings have been filed against the new decisions. Ankara Administrative Court rejected the petition of Elazığ Çimento. The decision was appealed by Elazığ Çimento. The period for the appeal has not been established yet.

The investigation and lawsuits of the Competition Board about Çimentaş

Pursuant to decision No. 14-21/416-M dated June 12, 2014 and article 41 of the Law No. 4054 on the Protection of Competition, the Competition Board ruled to launch an investigation to determine whether Çimentaş is in violation of article 4 of the Law No. 4054. Together with the extension received, the Competition Board has taken nine months additional time to prepare the investigation report. Pleadings against the Investigation Committee's investigation report and its amendments have been delivered to the Competition Board. With regard to the investigation, an administrative penalty amounting to TL 12.810 thousand was charged against the Company within the framework of the Competition Board's decision due to violation of article 4 of Protection of Competition Law No. 4045, on 15 January 2016. A payment of TL 9.608 thousand, or 25 percent less, was paid as the administrative penalty, within the period stipulated by the Law of Misdemeanor. Çimentaş filed an action for annulment of the ruling by the Competition Board and the case filed was dismissed by the Administrative Court. A timely appeal was filed against this ruling. The appeal was denied and application was made for cassation before the Council of State within the statutory time period. The period for the appeal has not been established yet.

- Tax Case regarding Çimentaș

A tax investigation carried out by Income Examiners on the accounting records of Çimentaș related to years 2005, 2006, 2007, 2008 and 2009 was finished on 17 August 2010. The Tax Authorities criticized a purchase and sale transaction of shares of a Group subsidiary named Alfacem S.R.L. which was purchased in 2005 and sold in 2009, and foreign exchange differences and interest expenses incurred and paid related to the borrowings utilized from abroad for the financing the purchase of the shares of the related subsidiary were both rejected. As a result, Hasan Tahsin Tax Office charged a penalty amounting to TL 67,897 thousand, TL 21,359 thousand of which is the original tax amount and TL 46,538 thousand is the penalty for tax loss, to the Company on 23 November 2010. The Company had decided to benefit from the "Tax Amnesty Law No: 6111", which came into force on 25 February 2011, and had waived the related lawsuit and applied the amnesty on 29 April 2011. In the framework of the opportunities provided by the law, the Group had compromised with the tax office and paid a tax penalty amounting to TL 12,970 thousand which was reduced from original tax amount and tax penalties amounting to TL 67,897 thousand and the payment for the related tax fine was made on 1 July 2011.

Again in the same investigation report with the same reasons the Tax Authorities reported a decrease in tax losses amounting to TL 60.059 thousand by making correction in the tax losses of 2008 and 2009. Group management filed a lawsuit against the Hasan Tahsin Tax Office in İzmir Tax Court for the cancellation of the decision related to the decrease of tax losses in 2008 and 2009 amounting to TL 60.059 thousand on 22 December 2010. The Tax Court dismissed the case on 12 September 2011 without reviewing it on the grounds that no actionable transaction had taken place because mitigation of losses transferred to the next periods is not an actionable, conclusive and executive transaction by itself. The Group appealed the said ruling and it was decided to review, after taking statements from the plaintiff and the management, the request for suspension of execution upon the 22 November 2011 ruling by the 3rd Chamber of the Council of State. Later on the Tax Court's decision dated 13 February 2012 and numbered K:2012/414, the Group's demand for an appeal was accepted and the decision of the Tax Court was reversed.

The defendant administration applied for the correction of the mentioned decision and the Council of State rejected the demand for correction. The 1st Tax Court of Izmir reviewed the case and ruled in favour of the company with ruling No. 2014/331 and 332. The administration appealed the ruling. The cassation proceedings also ended in the Company's favour and the Tax Court's decision was upheld by the Council of State on 15 November 2018. The rectification of decision applications made by the administration were also dismissed by the Council of State and the rulings have attained finality in the Company's favour.

- Case related to Capital Markets Board

Pursuant to the ruling No. 44649743-663.09-286-8709 dated 2 September 2014 ("Ruling") published on the weekly bulletin of the Capital Markets Board (CMB) on 29 August 2014 and served to the Group on 5 September 2014 as a result of an investigation by the CMB, it was determined that the sales price was set lower than the equivalents and the proceedings were secretly transferred to Cementir Holding when the shares of Alfacem S.r.L. were re-sold to the parent company at the same price in accordance with the board of directors resolution dated 20 March 2009 after the shares were acquired in 2005 for a cost of €85.000.000 from a subsidiary of the parent company Cementir Holding to which Çimentaș is associated in terms of management, audit and capital. Accordingly, it was ruled to notify Çimentaș to take the necessary measures to return to the Group within three months at the latest the 101.811.908 Turkish lira financing cost that Çimentaș bore on the sales date on 20 March 2009.

Upon the notice, the Group applied to the CMB for rescission of the decision in accordance with article 11 of the Administrative Jurisdiction Procedures Law. As said application was not responded to in the legal period of 60 days, it was considered rejected and the rejection response of CMB was notified to the Group after the completion of 60-day period.

A lawsuit was filed against the CMB on 30 December 2014 for reversal of the decision with the file No. 2014/2266 E. of the 7th Administrative Court of Ankara, and the court stayed the execution. Upon objection by the CMB, the Administrative Court of Ankara granted a motion for stay of execution and the file was submitted to the commission of experts. The Experts' Report was submitted to the court and statements were made in opposition to the report. By means of ruling number 2014/2266 E – 2018/1858 K. of Ankara Administrative Court No 7, the part of the CMB's ruling No. 286-8709 dated 2 02.09.2014 concerning the taking of the necessary measures for the returning to the company within three months at the latest of the 101.811.908 Turkish lira financing cost the company was alleged to have borne was annulled. Timely application for appeal was made against the adverse portions of the ruling. Appeal proceedings are pending.

i) Other Short-Term Provisions

Other short-term provisions as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Provisions for litigation, claims and penalties	22.617	22.932
State limestone usage fee	3.533	2.735
Other	776	788
	26.926	**26.455**

As of 31 December 2019 and 2018, changes of the provision for lawsuits and penalties are as follows:

	2019	2018
1 January	**22.932**	**4.717**
Provisions for the current year	3.345	18.215
Payment for litigation, claims and penalties	(1.997)	—
Amount of provisions reversed in the period (Note 24.1)	(2.000)	—
Foreign currency translation difference	337	—
31 December	**22.617**	**22.932**

ii) Other long-term provisions

As of 31 December 2019 and 2018, long term provisions are as follows:

	31 December 2019	31 December 2018
Provision for environmental rehabilitation and quarry site rehabilitation and infilling	31.308	27.703
	31.308	**27.703**

Changes of the provision for environmental rehabilitation, improvement and closure of mines are as follows:

	2019	2018
Beginning of the period	**27.703**	**28.305**
Increase / (decrease) during the period	249	(5.274)
Paid during period	(244)	—
Unwinding of discount effect recognized as expense (Note 26.2)	1.144	1.094
Effect of translation differences	2.456	3.578
End of the period	**31.308**	**27.703**

17. COMMITMENTS

a) Purchase commitments

As of 31 December 2019, the Group has committed to purchases amounting to USD 3.920 thousand of 69 thousand tonnes of coal that will take place in 2019 (31 December 2018: 35 thousand tonnes, USD 3.875 thousand).

b) Sales commitments

None (31 December 2018: None).

18. EMPLOYEE BENEFITS

18.1 Short-Term Payables within the Scope of Employee Benefits

Short-term payables within the scope of employee benefits as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Payables for social security and tax withholdings	4.390	4.159
Salary payables	1.130	902
Other	112	100
	5.632	**5.161**

18.2 Short-Term Provisions Related to Employee Benefits

Short-term provisions related to employee benefits as of 31 December 2019 and 2018 ae as follows:

	31 December 2019	31 December 2018
Unused vacation provision	1.948	1.563
Personnel premium provisions	726	—
	2.674	**1.563**

18.3 Long-Term Provisions Related to Employee Benefits

Long-term provisions related to employee benefits as of 31 December 2019 and 2018, are as follows:

	31 December 2019	31 December 2018
Provision for severance payment	24.933	22.082
	24.933	**22.082**

Provision for severance payment has been set as follows:

Under the Turkish Labour Law, the Group is required to make severance payment to each employee who has completed one year of service and whose employment is terminated or who is called up for military service, passes away or retires after completing 25 years of service (20 years for women) and reaches the age for retirement (58 for women and 60 for men). Since the legislative amendment on 23 May 2002, certain transitional provisions with respect to the length of service prior to retirement have been put into force.

The Severance payment that is payable amounts to one month's gross salary for every employment year and as of 31 December 2019 this amount has been capped at a full amount of TL 6.380 (31 December 2018: TL 5.434).

The liability of payment is not subject to any funding in the legal terms and there is no clause for funding. The severance pay provision is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

The basic assumption is that the ceiling provision settled for each year of service increases in proportion to inflation. In this way, the implemented discount rate reflects the real rate without the expected impacts of the inflation rate.

The accounting policies of the group require the Company to use various actuarial methods to predict the Group's severance payment liability. The severance payment provision has been calculated in accordance with the present value of future probable obligations arising from the retirement of all the employees and reported in the financial statements.

Accordingly, the following statistical assumptions were used in the calculation of the total liability:

	31 December 2019	31 December 2018
Discount rate	4,41%	5,67%
Probability of turnover without receiving severance	4,00%	4,15%

The changes of employee severance as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Beginning of the period	**22.082**	**21.105**
Interest cost (Note 26.2)	1.246	986
Service cost (Note 22.1 and 23)	2.247	2.091
Payments made during the period	(6.264)	(3.917)
Actuarial loss	5.622	1.817
End of the period	**24.933**	**22.082**

The interest expense, service expense and actuarial difference amounted to TL 9.115 thousand (2018: TL 4.894 thousand). The interest expense of TL 1.246 thousand is included in financial expenses (2018: TL 986 thousand) and the service cost of TL 2.247 thousand is included in general administrative expenses (2018: TL 2.091 thousand). As of 31 December 2019, the actuarial difference amounting to TL 5.622 thousand (2018: TL 1.817 thousand) is reported under other comprehensive income/expense.

19. OTHER ASSETS AND LIABILITIES

19.1 Other Current Assets

As of 31 December 2019 and 2018, other current assets are as follows:

	31 December 2019	31 December 2018
Value Added Tax ("VAT") Receivables	11.254	7.961
	11.254	**7.961**

19.2 Other Non-Current Assets

As of 31 December 2019 and 2018, other non-current assets are as follows:

	31 December 2019	31 December 2018
VAT receivables	35.382	33.190
Other	333	207
	35.715	**33.397**

19.3 Other Short-Term Liabilities

Other short-term liabilities as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Taxes and funds payable	11.123	8.117
	11.123	**8.117**

20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital and differences of capital adjustment

As of 31 December 2019, the Company's issued capital is TL 87.112 thousand made up of 87.112.463 shares with a nominal value of 1 Turkish lira each (31 December 2018: Issued capital TL 87.112.000 consisting of 87.112.463 shares with a nominal value per lot of TL 1).

The shareholding structure of the Group is as follows:

	31 December 2019		31 December 2018	
	Shareholding (%)	Amount Of Share Thousand TL	Shareholding (%)	Amount Of Share Thousand TL
Aalborg Portland Espana	97,80	85.198	97,80	85.198
Public share	2,20	1.914	2,20	1.914
	100	87.112	100	87.112
Cross shareholding capital adjustment		(3.381)		(3.381)
		83.731		**83.731**
Capital adjustment differences (*)		20.069		20.069
Total adjusted capital		**103.800**		**103.800**

(*) Capital adjustment differences represent the indexation effect of the cash or equivalent capital increases with the purchasing power on 31 December 2004.

Cross shareholding capital adjustment

The capital adjustments due to cross-ownership of TL 3.381 thousand (31 December 2018: TL 3.381 thousand) consist of Çimentaş shares received from third parties, shown in the consolidated financial statements based on the cost value, and held by the Group. As of 31 December 2019, the total number of the shares is 520.256 (31 December 2018: 520.256).

Share Premiums / Discounts

The share premium of TL 161.554 thousand (31 December 2018: TL 161.554 thousand) represents the difference between the shares' first issue price and the nominal value.

Gain / Loss on revaluation and measurement

As of 31 December 2019, revaluation and re-measurement gains/losses no longer represent the profits or losses. Their purpose and usage of recognizing them as other comprehensive income have been change, and now they consist of first time revaluation increases in tangible long-term assets transferred to investment properties, revaluation measurement losses from defined benefit plans, and other revaluation and measurement losses related to the sale of subsidiary shares. As of 31 December 2019, the Group posted TL 100.958 thousand (31 December 2018: TL 106.483 thousand) of tangible fixed asset revaluation increase, TL 100.958 thousand (31 December 2018: TL 31 thousand) of revaluation measurement losses from defined benefit plans, and TL 577 thousand (31 December 2018: TL 577 thousand) of other revaluation and measurement losses.

Foreign currency translation differences

Foreign currency translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Legal reserves

According to the Turkish Commercial Code, legal reserves are divided into two primary and secondary legal reserves. According to Turkish Commercial Code, the primary legal reserves are allocated as 5% of the tax base found after deducting statutory retained losses in the statutory net period profit, until it reaches 20% of the Company's paid-in / issued capital. Secondary legal reserves are 1/10 of dividend distributions which excess 5% of the paid-in capital. On the other hand, if it is decided to distribute the entire net distributable profit for the period as dividends, and strictly limited to this situation, the secondary legal reserve is appropriated at a rate of 1/11 for the portion of the net distributable period profit that exceeds 5% of the paid-up/issued capital. Under the Turkish Commercial Code, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

According to Law No. 5520 on Corporate Tax, 75% of the profits arising from the sale of the shares of subsidiaries, long-term assets, preferential rights, founders' shares, which have been included in the assets of entities for at least two years, are exempted from the corporate tax effective from 21 June 2006. In order to benefit from the exemption, the profit must be carried in a liability fund account and not withdrawn from the operation for 5 years. However, the exemption on capital gains the corporate taxpayers were entitled to from sales of real properties held for at least two years has been reduced from 75% to 50% by the regulation published in the Official Gazette dated 5 December 2018. Accordingly, corporate tax and deferred tax calculations for profits arising from the sale of long-term assets in 2018, 2019 and 2020 will be calculated as 22% of the remaining 50% and 20% of the remaining 50% for 2021 and later periods. As the following transactions had taken place before the regulation entered into effect, the Group re-classified the following as restricted retained earnings: In 2012, TL 14.310 thousand, or 75 percent of the profits, earned from the sale of the subsidiary shares in 2011; in 2014, TL 2.812 thousand, or 75 percent of the profits, earned from the land sale in 2013; in 2015, TL 11.175 thousand, or 75 percent of the profits, earned from the land sale in 2014; and in 2017, TL 15.858 thousand, or 75 percent of the profits, earned from the land sale in 2016. In 2017, the period expired for keeping in the restricted retained earnings account for five years the TL 14.310 thousand that was re-classified in 2012; however, since the board of directors of the Company did not pass any resolution in this regard, this amount was still recognized in the restricted retained earnings account in accordance with the regulation. Furthermore, the Group has classified TL 62.000.000, being 50% of the profit it made from plot sales it conducted in 2018, as a restricted reserve on 2019 earnings.

Reserves on Retained Earnings

Dividends

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué on Dividends no. II-19.1 of the Capital Markets Board effective as of 1 February 2014. Companies will distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant regulation. Within the scope of this communiqué, no minimum distribution rate has been determined. Companies will pay dividends as set out in their articles of association or in their profit distribution policies. Additionally, dividends can be paid via equal or different amounts of instalments and cash dividend advances on profit contained in financial statements may be distributed.

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

21. REVENUE AND COST OF SALES

Revenue and cost of sales for the years ending on 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Domestic sales	743.622	938.498
Export sales	81.651	47.327
Gross sales	**825.273**	**985.825**
Less: discounts	(11.998)	(15.576)
Net sales	**813.275**	**970.249**
Cost of Sales	(794.964)	(840.788)
Gross profit	**18.311**	**129.461**

22. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

22.1 General Administrative Expenses

General administrative expenses for the years ending on 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	39.198	35.480
Consultancy expenses	33.079	40.895
Outsourced benefits and services	12.790	13.867
Taxes, levies and charges	7.522	7.701
Depreciation and amortization (Note 12.2)	6.493	3.733
Lightening and water expenses	2.489	2.077
Insurance expenses	2.369	2.298
Severance payment expenses (Note 18.3 and 23)	2.247	2.091
Travel expenses	1.422	1.670
Other	12.065	11.222
	119.674	**121.034**

22.2 Marketing Expenses

Marketing expenses for the years ending on 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Loading and freight expenses	15.729	15.108
Personnel expenses	5.118	5.948
Marketing service expenses	2.807	1.854
Depreciation and amortization (Note 12.2)	720	138
Other	1.385	7.336
	25.759	**30.384**

23. EXPENSES BY NATURE

For the years ending on 31 December 2019 and 2018, distribution of expenses by nature is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Raw material, work in process and finished goods costs (Note 9)	374.636	416.900
Electricity and water expenses	156.903	145.903
Personnel expenses	109.775	100.201
Outsourced benefits and services	91.361	115.359
Depreciation and amortization (Note 12.2)	63.755	56.560
Loading and freight expenses	47.243	42.945
Consultancy expenses	33.079	40.895
Maintenance and repair costs	15.133	21.253
Taxes, levies and charges	14.591	13.490
Severance payment expenses (Note 18.3 and 22.1)	2.247	2.091
Other	31.674	36.609
	940.397	**992.206**

24. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

24.1 Other Income from Operating Activities

Other income from operating activities for the years ending on 31 December 2019 and 31 December 2018 is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Late payment interest	8.235	7.851
Foreign exchange gain from operating activities	4.787	5.455
Gain on sale of scrap materials	2.927	1.384
Lawsuit provisions no longer required (Note 16.3)	2.000	—
Rental income	819	823
Insurance income	111	27
Other	1.212	1.513
	20.091	**17.053**

24.2 Other Expenses from Operating Activities

Other expenses from operating activities for the years ending on 31 December 2019 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange losses from operating activities	12.492	45.987
Provision for doubtful receivable expenses (Note 7.1)	4.319	923
Expenses for penalty, compensation and legal proceedings	3.885	18.283
Impairment of advances paid	1.272	12.629
Excavation expense	494	1.989
Late payment expense	24	309
Other	2.626	3.503
	25.112	**83.623**

25. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

25.1 Income From Investing Activities

Income from investing activities for the years ending on 31 December is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Investment properties value increase gain (Note 11)	40.510	69.828
Gain on sale of non-current assets	504	17.131
Income from transfer of customer contracts	—	6.011
	41.014	**92.970**

25.2 Expenses from Investing Activities

Expenses from investing activities for the years ending on 31 December are as follows:

	1 January- 31 December 2019	1 January- 31 December 2019
Impairment loss on tangible long-term assets (Note 12.2)	18.769	—
Loss on sale of non-current assets	—	962
	18.769	**962**

26. FINANCIAL INCOME AND EXPENSES

26.1 Financial Income

Financial income for the years ending on December 31 is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange gains	16.272	11.237
Interest income	3.496	4.668
Gains on derivatives	—	428
	19.768	**16.333**

26.2 Financial Expenses

Financial expenses for the years ending on 31 December are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange expense	14.027	30.735
Interest expense from related parties	3.563	2.755
Actuarial interest expense (Note 18.3)	1.246	986
Bank commission expenses	1.202	1.082
Effect of discount from reclamation of mine sites and provision for closure of mine sites (Note 16.3)	1.144	1.094
Interest expense on leasing transactions	703	103
Other	69	970
	21.954	**37.725**

27. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

Prepaid corporate tax and corporation tax provision as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Current period corporation tax provision	7.007	3.378
Deduction: Prepaid corporation tax	(5.496)	(7.569)
Tax provision for the current period - net	**1.511**	**(4.191)**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return for their financial statements. Therefore, provisions for taxes, as reported in the consolidated financial statements at the end of the year, have been calculated on a separate-entity basis for the companies which are fully consolidated. According to this;

	1 January- 31 December 2019	1 January- 31 December 2018
Period income tax liability	2.021	1.406
Prepaid income tax	(510)	(5.597)
	1.511	**(4.191)**

Tax expenses reported in the income statement for the years ending on 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Current period corporation tax	(7.007)	(3.378)
Deferred tax income	15.247	3.349
Total tax income / (expense)	**8.240**	**(29)**

Within the scope of the "Law on Amendments to Certain Tax Laws and Certain Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with the law, now in force, deferred tax assets and liabilities are calculated at a tax rate of 22 percent for those periods when assets are realized or liabilities

are fulfilled. For 2021 and later periods, cancellations of temporary differences will be calculated at 20%.
The reconciliation of tax income / (expense) is as follows:

	2019	2018
Pre-tax loss	**(112.084)**	**(17.911)**
Tax computed at the parent company's tax rate on loss before tax	24.658	3.940
Non-deductible expenses	(5.807)	(2.137)
Losses not recognized as deferred tax	(15.359)	(11.656)
Tax exempt income	614	1.720
Tax effect of fair value gain	4.861	8.379
Other	(727)	(275)
Total tax income / (expense)	**8.240**	**(29)**

Breakdown of the tax assets and liabilities as of 31 December 2019 and 2018 calculated based on the current tax rates:

	Deferred Tax Assets		Deferred Tax Liabilities	
	2019	2018	2019	2018
Carry forward tax losses	41.738	20.540	—	—
Debt provisions	6.327	5.473	—	—
Provision for severance payment	4.987	4.416	—	—
Provision for rehabilitation and closure of the mine sites	2.963	2.549	—	—
Provision for advances paid and doubtful receivables	675	3.332	—	—
Investment properties	—	—	(39.186)	(35.135)
Goodwill amortization in statutory books	—	—	(27.488)	(27.488)
Tangible and intangible assets	—	—	(2.075)	(4.001)
Other assets and liabilities	—	793	(361)	—
Total deferred tax asset / (liability)	56.690	37.103	(69.110)	(66.624)
Offset amount	(33.753)	(11.999)	33.753	11.999
Total deferred tax asset / (liability)	**22.937**	**25.104**	**(35.357)**	**(54.625)**

However, the exemption on capital gains the corporate taxpayers were entitled to from sales of real properties held for at least two years has been reduced from 75 percent to 50 percent by the regulation published in the Official Gazette dated 5 December 2017. Accordingly, corporate tax and deferred tax calculations for profits arising from the sale of long-term assets in 2018, 2019 and 2020 will be calculated as 22% of the remaining 50% and 20% of the remaining 50% for 2021 and later periods.
75% the earnings of companies from sales of their pre-emptive rights and earnings from the issue of premiums which are obtained from the sales of the shares above par that are issued through the foundation of corporations or through a capital increase are exempt from the corporation taxes.
Limited taxpayers earning profits via a business in Turkey or a permanent representative and institutions resident in Turkey are not subject to withholding taxes on dividends received in Turkey. Dividend payments made to persons and institutions other than these are subject to withholding taxes at the rate of 15% (31 December 2018: 15%). Allocation of retained earnings to capital is not considered as profit distribution.

Corporations are required to calculate advance corporate tax quarterly at the rate of 22% (31 December 2018: 22%) and declare and pay it by the evening of the seventeenth day of the second month following that period (31 December 2018: 17). Tax payments that are made in advance during the year pertain to that year and are deducted from the corporate tax to be calculated on the corporate tax return to be paid in the following year. If there is an advance tax amount which is paid despite the deduction, this amount can be refunded in specie or can be set off against another financial liability due to the government.

In Turkey, there is no procedure for an agreement with the tax authority on tax payables. Corporate tax returns are submitted to the appropriate tax office by the evening of the final day of the fourth month following the closure of the accounting period.

The authorities in charge of tax audits can audit accounting records within five years and tax amounts may alter due to an assessment carried out if any incorrect operation is detected. Under Turkish tax legislation, financial losses disclosed on the declaration can be deducted from the company's period earnings, unless they exceed 5 years. However, tax losses cannot be carried back to offset profits from previous periods.

There are several exemptions in the Corporate Tax Law for the companies. The exemptions which are related to the Group are described below:

Companies' dividend earnings from the participations due to the contributions to the capital of another corporation with full taxation liability (except dividends which are gained from notes of accession of investment funds and from stocks of investment partnership) are exempt from the corporation tax.

Accordingly, the above-mentioned qualified gains / (losses) included in the market profit / (loss) are taken into account when calculating the corporate tax.

In addition to the exemptions used to determine the corporate tax base; deductions which are prescribed by the 8th article of the Corporate Tax Law and the 40th article of the Income Tax Law, and other deductions which are prescribed by the 10th article of the Corporate Tax Law, are also taken into consideration.

Transfer pricing

The 13th article of the law numbered 5520 Corporate Tax Law, which establishes new regulations on transfer pricing, came into force as of 1 January, 2007. Significant amendments have been made to the articles relating to the EU and OECD transfer pricing, and on the regulations regarding transfer pricing. In this framework, Firms have to apply the value or price to be determined in compliance with the arm's length in the purchase or selling of goods or services from / to the related parties.

The arm's length principle implies that the price or value applied in the purchase or selling of goods or services from / to the related parties complies with the price or value occurring if there were no such relation between the related corporations.

Firms shall use and determine the most suitable method based on the nature of the transaction, from those determined by the law on the equivalent price or value to be applied on the transactions carried out with the related parties. Firms have to prepare a report including the information and documents regarding the transactions made by the firms with related parties in an accounting period, using as proof papers of registers, bills and documents of the calculations for the prices and values determined in accordance with the arm's length principle.

If the taxpayer is involved in transactions with related parties for trading of goods or services and the value or price is determined as incompatible with the arm's length principle, the income shall be considered as implicitly distributed by means of complete or partial transfer pricing. Profits shifted in a veiled way via transfer pricing will be considered as distributed profit or for foreign based tax payers the amount transferred to headquarters as of the last day of the period that the related conditions are met disclosed in the 13th clause of the Corporate Tax Law. The tax deduction shall be made at rates determined in accordance with the legal nature of the partners over the amount found after considering the profit share distributed by transfer pricing as the net profit share and rounding it up to the gross. Taxation transactions performed previously shall be adjusted accordingly in the presence of the taxpayers. However, in order to make the adjustment on corporate tax, the taxes levied in the name of the corporation distributing hidden income should be determined and paid. The amount to be considered for adjustment to be made in the presence of the corporation performing distribution of hidden income shall be the amount which is determined and paid. In order to bring clarity to the application after the terms on transfer pricing rules had come into force as of 1 of January, 2007, the General Communiqué on Issued Hidden Income by Transfer Pricing (Serial No:1) was published by the Ministry of Finance on 18 November, 2007.

The movements in deferred tax income/(loss) for the year ended 31 December 2019 are as follows:

	1 January 2019	Current period deferred tax income /(expense)	The part recognized in comprehensive income	31 December 2019
Carry forward tax losses	20.540	21.198	—	41.738
Debt provisions	5.473	854	—	6.327
Provision for severance payment	4.416	(553)	1.124	4.987
Provision for rehabilitation and closure of the mine sites	2.549	414	—	2.963
Provision for advances given and doubtful receivables	3.332	(2.657)	—	675
Investment properties	(35.135)	(4.051)	—	(39.186)
Goodwill amortization in statutory books	(27.488)	—	—	(27.488)
Tangible and intangible assets	(4.001)	1.196	730	(2.075)
Other assets and liabilities	793	(1.154)	—	(361)
Deferred tax assets / (liabilities)	**(29.521)**	**15.247**	**1.854**	**(12.420)**

The movements in deferred tax income/(loss) for the year ended 31 December 2018 are as follows:

	1 January 2018	Current period deferred tax income /(expense)	The part recognized in comprehensive income	31 December 2018
Carry forward tax losses	16.240	4.300	—	20.540
Debt provisions	1.821	3.652	—	5.473
Provision for severance payment	4.221	(168)	363	4.416
Provision for rehabilitation and closure of the mine sites	3.345	(796)	—	2.549
Provision for advances given and doubtful receivables	192	3.140	—	3.332
Investment properties	(28.156)	(6.979)	—	(35.135)
Goodwill amortization in statutory books	(27.488)	—	—	(27.488)
Tangible and intangible assets	(5.607)	548	1.058	(4.001)
Other assets and liabilities	1.141	(348)	—	793
Deferred tax assets / (liabilities)	**(34.291)**	**3.349**	**1.421**	**(29.521)**

As of 31 December 2019, the Group calculated TL 41.738 thousand (31 December 2018: TL 20.540 thousand) of deferred taxes based on the financial losses of previous years in the amount of TL 210.416 thousand (31 December 2018: TL 104.415 thousand), which are highly likely to be offset from the profits in future years. The distribution of the tax losses carried forward on which deferred tax assets are calculated by their year of expiration is as shown below:

Expiration year	2019	2018
2020	—	7.416
2021	209	17.450
2022	5.495	32.232
2023	36.450	17.569
2024	156.372	—
	198.526	**74.667**

* Pursuant to the regulation in England, there is no limit for the use of losses from previous years. Therefore, the aforementioned table does not show the financial losses for Quercia and NWM, the Group's subsidiaries operating in England, in the amounts of TL 10.250 thousand and TL 1.640 thousand (2018: TL 27.671 thousand and TL 2.077 thousand), respectively, on which deferred taxes are calculated.

As of 31 December 2019, the breakdown of the financial losses of previous years not used in calculation of the deferred tax asset:

Year of financial loss	2019	2018
2014	—	28.765
2015	29.829	22.413
2016	50.251	33.011
2017	57.306	30.594
2018	25.678	44.681
2019	13.074	—
	176.138	**159.464**

(*) Losses carried forward were not included in the deferred tax asset calculation as of 31 December 2019 of the Group's subsidiaries operating in the UK, Quercia and NWM, in the amount of TL 48.702 thousand and TL 2.808 thousand respectively were not shown in the above table (2018: TL 30.369 thousand and TL 4.538 thousand).

28. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the accounting periods ending on 31 December 2019 and 31 December 2018 are as follows:

	2019	2018
Net period loss of parent company	**(82.756)**	**(5.522)**
Weighted average number of issued ordinary shares (lot value is TL 1*)	87.112.463	87.112.463
Weighted average number of issued treasury shares	(520.256)	(520.256)
	86.592.207	**86.592.207**
Loss per share computed on net period loss of parent company (TL)	**(0,9557)**	**(0,0638)**

(*) 1 lot is composed of 100 shares.

29. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Group is exposed to market risk, capital risk, credit risk and liquidity risk, which are composed of foreign currency, cash flow and interest rate risks because of its operations. The Group's risk management policy is focused on unexpected changes in the financial markets.

The financial risk management policy is carried out by the top management and finance department of Çimentaș in accordance with the policies and strategies approved by the Board of Directors. The Board of Directors prepares policies and principles of a general nature to manage credit, liquidity, interest and capital risks in particular and monitors the financial and operational risks in detail.

The aims that are determined by the Group to manage financial risks can be summarized as follows:

- Maintaining the sustainability of the cash flows provided from the Group's operations and main assets effectively by considering the currency and interest rate risks,
- Keeping sufficient sources of borrowings ready to be used effectively and efficiently when necessary in appropriate conditions of type and maturity,
- Keeping the risks from others at the minimum level and monitoring them effectively.

Risk management framework

The Board of Directors of the Company is responsible in general terms for determining and monitoring the risk management framework of the Group. The board of directors forms an Early Detection of Risk Committee to be responsible for developing the Group's risk management policies and monitor. The committee reports its activities to the Board periodically.

The risk management policies of the Group are determined with the purpose of detecting and analysing possible risks, determining appropriate risk limits and establishing their controls, and monitoring risks and making sure they remain within the limits. Risk management policies and systems are regularly reviewed to reflect changes in the Group's operations and market conditions. The Group aims to develop a disciplined and constructive control environment where all employees understand their roles and responsibilities through training and management standards and procedures.

The Group Auditing Committee, monitors management in terms of compliance with the risk management policy and procedures of the Group and provides support to fulfil the risk management framework. The internal audit department regularly evaluates risk management policies and procedures and reports the results to the Audit Committee.

29.1.1 Credit risk

Having financial assets also brings the risks that the counterparty may not obey the rules of the agreements. The Group administration manages these risks by limiting the average risk related to the other party (except for related parties) in the agreement getting guarantees when necessary. The Group manages these risks which can arise from customers, by updating the determined credit limits within specific periods. The Group uses credit limits, and the credit quality of customers is evaluated considering the customer's financial position, past experiences, market recognition and other factors.

	Receivables						
	Trade Receivables		Other Receivables				
Current Period 31 December 2019	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposits at Banks**	**Derivative Instrumentsr**	**Other**
Maximum credit risk to be exposed to as of the reporting date (A+B+C+D)	**40**	**266.969**	**75**	**8.955**	**92.083**	**—**	**—**
- Part of the maximum credit risk, secured by guarantee, etc.	—	154.181	—	—	—	—	—
A. Net carrying amounts of financial assets that are not overdue nor impaired	40	199.228	75	8.955	92.083	—	—
B. Net carrying amount of financial assets that are overdue but not impaired	—	67.741	—	—	—	—	—
C. Net carrying amount of the impaired assets	—	—	—	—	—	—	—
- Overdue (gross carrying amount)	—	14.484	—	—	—	—	—
- Impairment (-)	—	(14.484)	—	—	—	—	—
- Part of the net value, secured by guarantee, etc.	—	—	—	—	—	—	—
- Not overdue (gross carrying amount)	—	—	—	—	—	—	—
- Impairment (-)	—	—	—	—	—	—	—
- Part of the net value, secured by guarantee, etc.	—	—	—	—	—	—	—
D. Off-balance sheet items with credit risk	—	—	—	—	—	—	—

	Receivables						
	Trade Receivables		Other Receivables				
Current Period 31 December 2018	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposits at Banks**	**Derivative Instrumentsr**	**Other**
Maximum credit risk to be exposed to as of the reporting date (A+B+C+D)	**623**	**251.675**	**241**	**7.820**	**88.709**	**428**	**—**
- Part of the maximum credit risk, secured by guarantee, etc.	—	175.902	—	—	—	—	—
A. Net carrying amounts of financial assets that are not overdue nor impaired	623	180.170	241	7.820	88.709	428	—
B. Net carrying amount of financial assets that are overdue but not impaired	—	71.505	—	—	—	—	—
C. Net carrying amount of the impaired assets	—	—	—	—	—	—	—
- Overdue (gross carrying amount)	—	10.344	—	—	—	—	—
- Impairment (-)	—	(10.344)	—	—	—	—	—
- Part of the net value, secured by guarantee, etc.	—	—	—	—	—	—	—
- Not overdue (gross carrying amount)	—	—	—	—	—	—	—
- Impairment (-)	—	—	—	—	—	—	—
- Part of the net value, secured by guarantee, etc.	—	—	—	—	—	—	—
D. Off-balance sheet items with credit risk	—	—	—	—	—	—	—

As a result of the Group administration's evaluation considering the past experiences and subsequent period collections, there is no collection risk for the trade receivables which are overdue but not impaired; while maturity of the financial instruments which are overdue but not impaired is as follows:

	Receivables				
Current Period **31 December 2019**	**Trade Receivables**	**Other Receivables**	**Deposits at Banks**	**Derivative Instruments**	**Other**
Past due 1-30 days	28.137	—	—	—	—
Past due 1-3 months	17.389	—	—	—	—
Past due 3-12 months	15.926	—	—	—	—
Past due 1-5 years	5.966	—	—	—	—
Past due more than 5 years	323	—	—	—	—
	67.741	**—**	**—**	**—**	**—**

	Receivables				
Prior Period **31 December 2018**	**Trade Receivables**	**Other Receivables**	**Deposits at Banks**	**Derivative Instruments**	**Other**
Past due 1-30 days	22.202	—	—	—	—
Past due 1-3 months	30.420	—	—	—	—
Past due 3-12 months	16.809	—	—	—	—
Past due 1-5 years	1.751	—	—	—	—
Past due more than 5 years	323	—	—	—	—
	71.505	**—**	**—**	**—**	**—**

29.1.2 Liquidity Risk

Prudential liquidity risk management means keeping adequate cash and marketable securities, utilization of fund sources by means of adequate borrowing transactions and the power to close out the market positions. The liquidity risk for existing and prospective debt requirements is managed by sustaining adequate amount of accessibility to the Group's own lenders and to the funds created from the operations. The Group administration closely follows the collection from its customers in order to ensure uninterrupted liquidity, tries to prevent any financial burden on the Group in case of late payments and arranges available cash and non-cash credit limits through arrangements with banks when the Group is in need. In addition, the Group's liquidity management policy includes preparation of cash flow projections per cement production plants and monitoring and evaluation of the liquidity ratios by comparing them with budgeted ratios.

The Group's financial liabilities and contractual outflows from those liabilities in respect of their maturities as of 31 December 2019 and 2018 are as follows:

31 December 2019 Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Payables form Leasing Transactions	9.904	11.409	1.394	3.915	6.100	—
Trade Payables	226.917	226.917	216.507	10.410	—	—
Other Payables(*)	116.812	121.106	62.164	1.693	57.249	—
Total	**353.633**	**359.432**	**280.065**	**16.018**	**63.349**	**—**

(*) Deposits and guarantees received are not included in other payables.

31 December 2018 Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Years (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Payables form Leasing Transactions	773	879	241	355	283	—
Trade Payables	253.501	254.355	253.818	537	—	—
Other Payables(*)	96.050	101.971	46.518	1.529	53.924	—
Total	**350.324**	**357.205**	**300.577**	**2.421**	**54.207**	**—**

(*) Deposits and guarantees received are not included in other payables.

31 December 2019 Contractual maturities	Carrying Amount	Total contractual cash outflows	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Years (III)	More than 5 Years (IV)
Derivative Financial Obligations						
Derivative cash inflows	—	—	—	—	—	—
Derivative cash outflows	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**—**

31 December 2018 Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 - 12 months (II)	Between 1- 5 Years (III)	More than 5 Years (IV)
Derivative Financial Obligations						
Derivative cash inflows	428	15.337	15.337	—	—	—
Derivative cash outflows	—	(14.829)	(14.829)	—	—	—
Total	**428**	**508**	**508**	**—**	**—**	**—**

29.1.3 Market Risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from exchange rate changes through translating asset and liability amounts in foreign currency to TL. The Group follows a policy for stabilizing its foreign exchange position in order to reduce the exchange rate risk. Existing risks are monitored and the exchange rate position of the Group is followed up in the meetings regularly held by the Group's Auditing Committee and the Board of Directors.

	31 December 2019					31 December 2018				
	TL Equivalent	USD	Euro	GBP*	Other	TL Equivalent	USD	Euro	GBP*	Other
1. Trade Receivables	6.308	1.062	—	—	—	—	—	—	—	—
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	67.682	11.347	42	—	—	58.531	5.509	4.902	—	—
2b. Non-Monetary Financial Assets	—	—	—	—	—	—	—	—	—	—
3. Other	—	—	—	—	—	—	—	—	—	—
4. Current Assets (1+2+3)	**73.990**	**12.409**	**42**	**—**	**—**	**58.531**	**5.509**	**4.902**	**—**	**—**
5. Trade Receivables	—	—	—	—	—	—	—	—	—	—
6a. Monetary Financial Assets	—	—	—	—	—	—	—	—	—	—
6b. Non-Monetary Financial Assets	—	—	—	—	—	—	—	—	—	—
7. Other	—	—	—	—	—	—	—	—	—	—
8. Non-Current Assets (5+6+7)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9. Total Assets (4+8)	**73.990**	**12.409**	**42**	**—**	**—**	**58.531**	**5.509**	**4.902**	**—**	**—**
10.Trade Payables	75.078	6.145	5.799	1	—	144.581	10.509	14.812	1	—
11. Financial Liabilities	2.707	—	407	—	—	—	—	—	—	—
12a. Other Monetary Liabilities	33	—	5	—	—	48	—	8	—	—
12b. Other Non-Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
13. Short Term Liabilities (10+11+12)	**77.818**	**6.145**	**6.211**	**1**	**—**	**144.629**	**10.509**	**14.820**	**1**	**—**
14. Trade Payables	—	—	—	—	—	—	—	—	—	—
15. Financial Liabilities	56.370	—	8.476	—	—	50.032	—	8.300	—	—
16a. Other Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
16b. Other Non-Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
17. Long Term Liabilities (14+15+16)	**56.370**	**—**	**8.476**	**—**	**—**	**50.032**	**—**	**8.300**	**—**	**—**
18. Total Liabilities (13+17)	**134.188**	**6.145**	**14.687**	**1**	**—**	**194.661**	**10.509**	**23.120**	**1**	**—**
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
19a. Off-Balance Sheet Foreign Currency Derivative Characterized as Assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
19b. Off-Balance Sheet Foreign Currency Derivative Characterized as Liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(60.198)**	**6.264**	**(14.645)**	**(1)**	**—**	**(136.130)**	**(5.000)**	**(18.218)**	**(1)**	**—**
21. Net Foreign Currency Asset / (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(60.198)**	**6.264**	**(14.645)**	**(1)**	**—**	**(136.130)**	**(5.000)**	**(18.218)**	**(1)**	**—**
22. Fair Value of Financial Instruments Used in Foreign Currency Hedges	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
23. Hedged Foreign Currency Assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
24. Hedged Foreign Currency Liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(*) The British Sterling exchange risk for the subsidiaries whose current currency is not British Sterling is shown in the column.

31 December 2019

	Foreign Exchange Risk Sensitivity Analysis			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net asset / liability of USD	3.721	(3.721)	–	–
2- USD risk hedged (-)	–	–	–	–
3- USD net effect (1+2)	**3.721**	**(3.721)**	**–**	**–**
Assumption of devaluation/appreciation by 10% of EUR against TL				
4- Net asset / liability of EURO	(9.740)	9.740	–	–
5- EURO risk hedged (-)	–	–	–	–
6- Euro net effect (4+5)	**(9.740)**	**9.740**	**–**	**–**
Assumption of devaluation/appreciation by 10% of GBP against TL				
7- Net asset/liability of GBP	(1)	1	–	–
8- GBP risk hedged (-)	–	–	–	–
9- GBP net effect (7+8)	**(1)**	**1**	**–**	**–**
Assumption of devaluation/appreciation by 10% of other foreign currencies against TL				
10- Net asset / liability of other currency	–	–	–	–
11-The part protected from other currency risks (-)	–	–	–	–
12-Other currency net effect (10+11)	**–**	**–**	**–**	**–**
Total (3+6+9+12)	**(6.020)**	**6.020**	**–**	**–**

31 December 2018

	Foreign Exchange Risk Sensitivity Analysis			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net asset / liability of USD	(2.630)	2.630	–	–
2- USD risk hedged (-)	–	–	–	–
3- USD net effect (1+2)	**(2.630)**	**2.630**	**–**	**–**
Assumption of devaluation/appreciation by 10% of EUR against TL				
4- Net asset / liability of EURO	(10.982)	10.982	–	–
5- EURO risk hedged (-)	–	–	–	–
6- Euro net effect (4+5)	**(10.982)**	**10.982**	**–**	**–**
Assumption of devaluation/appreciation by 10% of GBP against TL				
7- Net asset/liability of GBP	(1)	1	–	–
8- GBP risk hedged (-)	–	–	–	–
9- GBP net effect (7+8)	**(1)**	**1**	**–**	**–**
Assumption of devaluation/appreciation by 10% of other foreign currencies against TL				
10- Net asset / liability of other currency	–	–	–	–
11-The part protected from other currency risks (-)	–	–	–	–
12-Other currency net effect (10+11)	**–**	**–**	**–**	**–**
Total (3+6+9+12)	**(13.613)**	**13.613**	**–**	**–**

Interest rate risk

The Group's financial assets and liabilities designated at fair value through profit and loss and the fair value hedge accounting model reported in the hedging derivative instruments (interest rate swaps) are not available. Hence, the change in interest rates will not affect profit or loss of the Group in the reporting period.

	2019	2018
Financial instruments with fixed interest rate		
Financial assets	86.439	76.754
Financial liabilities	65.104	50.805
Financial instruments with floating interest rate		
Financial assets	—	—
Financial liabilities	61.430	44.286

Price risk

The Group's operational profitability and cash inflows generated by operations are affected in line with the competition in the cement and ready mixed concrete sector and changes in raw material prices, and the Group administration follows these price changes and takes remedial measures to reduce the pressure of costs on prices. Related risks are monitored through meetings held by the Early Detection of Risk Committee of the Group.

29.1.4 Capital Risk

While managing capital, the Group's aim is to keep sustainability of the Group's operations with the most appropriate capital structure to minimize the cost of capital and to provide earnings and benefit to its shareholders.

The Group can change the amount of the dividends to shareholders, return the capital to shareholders, issue new bonds and sell assets to reduce their debt rates in order to maintain the capital structure or to recapitalize. In parallel with other companies in the industry, the Group monitors the capital with reference to the debt/equity ratio. This ratio is calculated by dividing the net debt by equity. Net debt is calculated by deducting cash and cash equivalents from total debt.

	31 December 2019	31 December 2018
Total financial debt (Note 4.4, 4.5 and 6)	126.534	95.175
Less: Cash and Cash Equivalents (Note 5)	(93.216)	(90.449)
Net debt	33.318	4.726
Total equity	1.202.613	1.234.200
Debt / equity ratio	**3%**	**%0**

29.1.5 Fair value of financial instruments

The Group determines the fair values of financial instruments by using its current market data knowledge and appropriate valuation methods. However, since judgement may be required in determining fair value, fair values may not reflect the amounts that may appear in the existing market. Considering that the fair values of the financial assets and liabilities, including receivables from cash and banks, other financial assets and other short-term financial liabilities, which are measured at amortised cost using the effective interest method interest, are short-term in nature and the possible losses may be immaterial, the Group administration has assessed that they are close to their reported values.

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

Classification of Financial Instruments

The Group has classified its financial assets and liabilities as loans and receivables. Cash and cash equivalents of the financial assets (Note 5), trade receivables (Note 4 and 7) and other receivables (Note 4 and 8) of the Group are classified as loans and receivables and measured at amortized cost using the effective interest method. The financial liabilities of the Group are composed of trade payables (Note 4 and 7) and other payables (Note 4 and 8); they are classified by amortized costs as carried financial liabilities and measured at amortized cost using the effective interest method.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data for the purpose of estimating the fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amount the Group could realize in a current market exchange.

The methods and assumptions below are used for estimating the fair values of financial instruments whose fair values can be determined.

Financial assets

It is accepted that the fair values of foreign currency balances which are translated from the year end rates are close to the carrying amounts. Cash and cash equivalents are shown with their fair values. It is also assumed that the current market values of trade and related party receivables are close to the carrying amounts of their fair values as they are short-dated.

Financial liabilities

Trade payables, due to related parties and other financial liabilities are estimated to be measured at amounts close to their fair values at amortized cost; and the fair value of foreign currency balances translated with year-end exchange rate is accepted as being close to their reported values.

31. NON-CONTROLLING INTERESTS

As of 31 December 2019, information on the non-controlling interests in subsidiaries, including the Group's non-controlling interests at significant levels, is as follows:

(Thousand TL)	Recydia	Kars Çimento	Çimbeton	Other individual immaterial subsidiaries
Percentage of non-controlling interests	**48,28%**	**58,45%**	**49,69%**	
Non-current assets	385.785	363.263	44.410	71.631
Current assets	78.655	209.131	84.082	70.990
Long-term liabilities	(8.134)	(7.168)	(4.705)	(21.484)
Short-term liabilities	(77.227)	(20.691)	(79.714)	(102.692)
Net assets	**379.079**	**544.535**	**44.073**	**18.445**
Carrying amount of non-controlling interests	**(40.345)**	**318.572**	**17.766**	**(34.208)**
Revenue	112.910	61.509	174.160	174.569
Profit / (Loss))	(57.714)	19.265	(2.304)	(1.993)
Other comprehensive income / (expenses)	(365)	(852)	(483)	914
Total comprehensive income / (expenses)	**(58.079)**	**18.413**	**(2.787)**	**(1.079)**
Profit / (loss) allocated to non-controlling interests	(30.390)	11.624	(868)	(1.454)
Other comprehensive income/(expenses) allocated to non-controlling interests	(176)	(498)	(240)	420

As of 31 December 2018, information on the non-controlling interests in subsidiaries, including the Group's non-controlling interests at significant levels, is as follows:

(Thousand TL)	Recydia	Kars Çimento	Çimbeton	Other individual immaterial subsidiaries
Percentage of non-controlling interests	**43,42%**	**52,23%**	**49,68%**	
Non-current assets	411.297	366.287	37.293	72.379
Current assets	100.509	99.965	79.747	49.885
Long-term liabilities	(6.761)	(6.301)	(1.394)	(17.822)
Short-term liabilities	(67.887)	(9.814)	(68.786)	(76.783)
Net assets	**437.158**	**450.137**	**46.860**	**27.659**
Carrying amount of non-controlling interests	**(7.491)**	**230.837**	**18.875**	**(26.516)**
Revenue	119.720	69.776	252.858	173.876
Profit / (Loss)	(43.031)	6.989	9.214	(4.412)
Other comprehensive income / (expenses)	(109)	(269)	(424)	5.923
Total comprehensive income / (expenses)	**(43.140)**	**6.720**	**8.790**	**1.511**
Profit / (loss) allocated to non-controlling interests	(18.501)	3.380	4.594	(1.891)
Other comprehensive income/(expenses) allocated to non-controlling interests	(48)	(138)	(211)	2.392

32. SUBSEQUENT EVENTS

None.


GERÇEK İNŞAAT

2019 PROFIT DISTRIBUTION PROPOSAL

In accordance with Capital Markets Board Communiqué dated January 23, 2014 and No: II-19.1, it has been resolved to make a suggestion to the General Assembly, not to distribute profits as there is no distributable profit under the statutory financial statements.

ÇİMENTAŞ GROUP

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Having been established as the 1st cement factory of the region in 1950, Çimentaş produces clinker in 2 kilns and cement in 4 mills located in the İzmir plant. With its 65 years of history Çimentaş is one of the fundamental establishments of the sector and the region.

Çimentaş İzmir Çimento Fabrikası Türk A.Ş. Trakya Branch

Edirne Lalapaşa Cement Plant was acquired from the Savings Deposit Insurance Fund in the final days of 2005 through an Asset Sale transaction. It has been structured and organized as the Trakya Branch of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. Thus, Çimentaş has entered the biggest cement market of the country and has created new opportunities in terms of exports to neighbouring countries.

Kars Çimento Sanayi ve Ticaret A.Ş.

Kars Çimento joined the group in 1996 by acquisition from the Privatization Administration in accordance with the concept of "corporate responsibility". It is a profitable and efficient establishment in the region in terms of its economic and social situation.

Çimbeton Hazırbeton ve Prefabrik Yapı Elemanları San. ve Tic. A.Ş.

Founded in 1986, Çimbeton A.Ş. is the leading supplier in the region of the ready mixed concrete market. The company, which indicates the place, meaning and characteristics of the RMC in the construction sector, became the most important institution of the regional market. It is one of the profitable and productive companies of the sector.

İlion Çimento İnşaat Sanayi ve Ticaret Ltd. Şti.

İlion Çimento joined the Group in 2007 and has operations in Soma Seaş Thermal Power Plant to meet the fly ash requirements of Çimentaş and Çimbeton.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş.

Recydia A.Ş. founded in 2009, with the aim of gaining various advantages from the supply and usage of alternative fuel in order to diversify and optimize the energy resources of the Group, has first taken a place in the sector by taking over 70% of the company Süreko A.Ş., which was already operating with its plants in Manisa-Kula and Ankara-Kazan.

In 2011, Recydia A.Ş. entered into the municipal waste sector by acquiring the operating licence of the municipal waste processing plant of the Istaç establishment that operates under the Istanbul Metropolitan Municipality, at Istanbul / Kömürcüoda for a period of 25 years.

The Company merged with Hereko Istanbul 1 Atık Yönetimi Nakliye Lojistik Elektrik Üretim Sanayive Ticaret A. Ş., Elazığ Altınova Çimento Sanayi Ticaret A. Ş. and Bakırçay Çimento Sanayive Ticaret A. Ş. on 31.12.2014.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş. Istanbul Hereko Branch

Hereko Istanbul 1 AtıkYönetimi, Nakliye, Lojistik, Elektrik Üretim Sanayive Ticaret A.S., founded early in the year 2011 as a 100% subsidiary of Recydia A.Ş. entered into the disposal sector of the municipal waste by acquiring the operating license of the municipal waste processing plant of Istaç establishment that operates under the Istanbul Metropolitan Municipality, at Istanbul / Kömürcüoda for a period of 25 years. The Company merged with Recydia A.Ş. in 2014 and has continued its activities as Recydia A.Ş. Istanbul Hereko Branch.

Recydia Atık Yönetimi, Yenilenebilir Enerji Üretimi, Nakliye ve Lojistik Hizmetleri Sanayi ve Ticaret A.Ş. Elazığ Çimento Branch

Elaziğ Çimento was acquired under a OYAK-GAMA Joint Venture in September 2006. It is one the leading establishments in terms of economic and social development of its region. The Company merged with Recydia A.Ş. in 2014 and has continued its activities as Recydia A.Ş. Elazığ Çimento Branch.

Süreko Atık Yönetimi, Nakliye, Lojistik, Elektrik Üretim Sanayi ve Ticaret A.Ş.

The company, of which 70% was taken over by our subsidiary Recydia A.Ş. in 2009, provides waste disposal services to industrial companies and private sector enterprises in line with the principle ¨Reliable Waste Management¨ with its plants in Manisa-Kula and Ankara-Kazan,.

The company is in a position to be the candidate for being a leader in the recently developing sector with its rapidly ongoing investments.

Destek Organizasyon Temizlik Akaryakıt Tabldot Servis San. ve Tic. A.Ş.

Destek A.Ş., which provides logistic support, provides cleaning and other services beside operating a gas service station, table d'hôte and restaurant, also finances the Çimentaş Education and Health Foundation with its sources and revenue.

Çimentaş Educatıon and Health Fund

One of the important social institutions in the region with a strong reputation for its support of education and health services, Çimentaş Education and Health Fund was founded in 1986 and received tax-exempt status in 1992. Çimentaş Education and Health Fund granted various health and education institutions to the public in the past period.

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

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