ANNUAL REPORT 2020

çimentaş
CEMENTIR HOLDING

ANNUAL REPORT 2020

çimentaş
CEMENTIR HOLDING

SUMMARY

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INTRODUCTION

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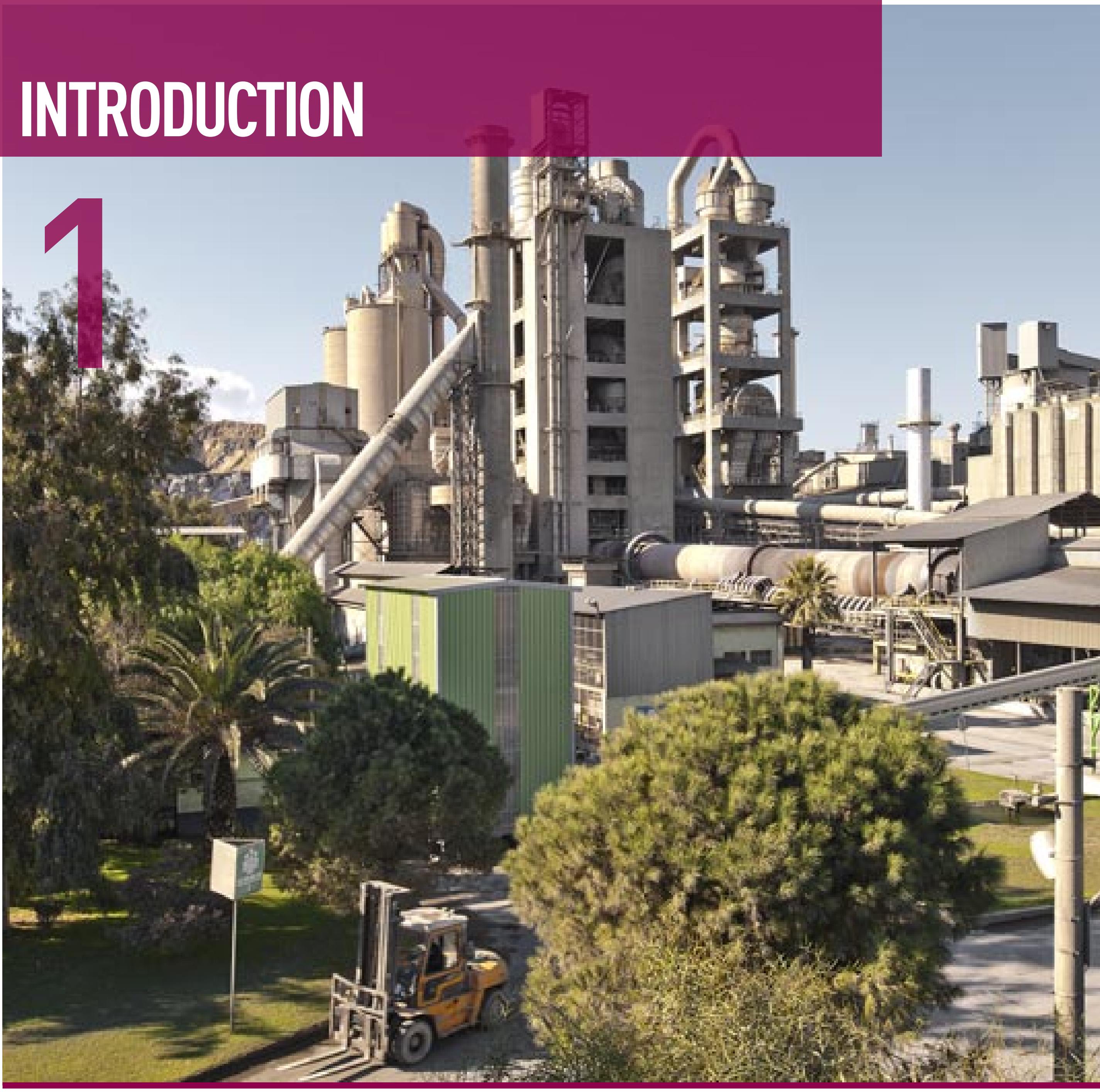


1 INTRODUCTION

INTRODUCTION

This report is for presentation to 70th 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 15 April 2021 at 11.30 to examine and approve the Company's operating results for the period 1 January 2020 to 31 December 2020.

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 2020 balance sheet, income statement and other financial tables,
5. Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities for the accounts and transactions of the company in 2020,
6. Deliberation and decision about the 2020 profit/loss,
7. Deliberation and resolution about approval of the Independent External Audit Firm assigned by the Board for the year 2021 and the acceptance of the independent external audit agreement,
8. Determination of the number and the period of the BoD members. Election of BoD members and independent Board members.
9. Deliberation and decision concerning the remuneration of the directors,
10. Information and deliberation concerning to permission to the Chairman and Board members in accordance with articles 395 and 396 of the Turkish Commercial Code,
11. Information and deliberation concerning the donations and charities made within the year 2020,
12. Information and deliberation concerning the donations and charities will make in the year 2021,
13. Information about guarantees given on behalf of 3rd parties,
14. Wishes, Closing.

CAHIRMAN'S SPEECH

The Covid 19 virus, which started in Wuhan province of China in early 2020, caused an epidemic that spread rapidly all over the world. This unprecedented global epidemic has affected people's lifestyles, economies and social orders of countries. During this period, the first priority of our management was to carefully implement the recommendations of the Ministry of Health in order to keep all our stakeholders, especially our employees, from being affected by the pandemic to a minimum.

With the restrictions imposed to contain the epidemic, activities in many sectors have decreased or stopped significantly. As a result, countries' GNPs started to fall and unemployment rates started to increase. Our economy, which grew by 0.9% in 2019, completed 2020 with a growth of 1,8.

The measures taken by our government to ensure the continuation of the investments have increased the construction activities and therefore the demand for local cement. The relative depreciation of the Turkish Lira made cement exports attractive. Despite all the difficulties, with the devoted efforts of our employees, we were able to significantly increase our market share and meet the demands perfectly.

In the adverse conditions of this global epidemic, which seems to continue to affect in 2021, our primary goal has been to increase cooperation and solidarity among stakeholders and to make our organization stronger against possible future risks. On the other hand, we intensified our efforts to prepare for the new conditions of the rapidly changing business and working life, in other words the «new normal».

In our 2020 Annual Report, we present the results of all these studies to your information. We believe we will achieve much better results in 2021.

We would like to express our gratitude to our employees and all our stakeholders who have made very valuable contributions to our company's successful results and made us look to the future with hope.

Taha Aksoy
Chairman of the Board of Directors

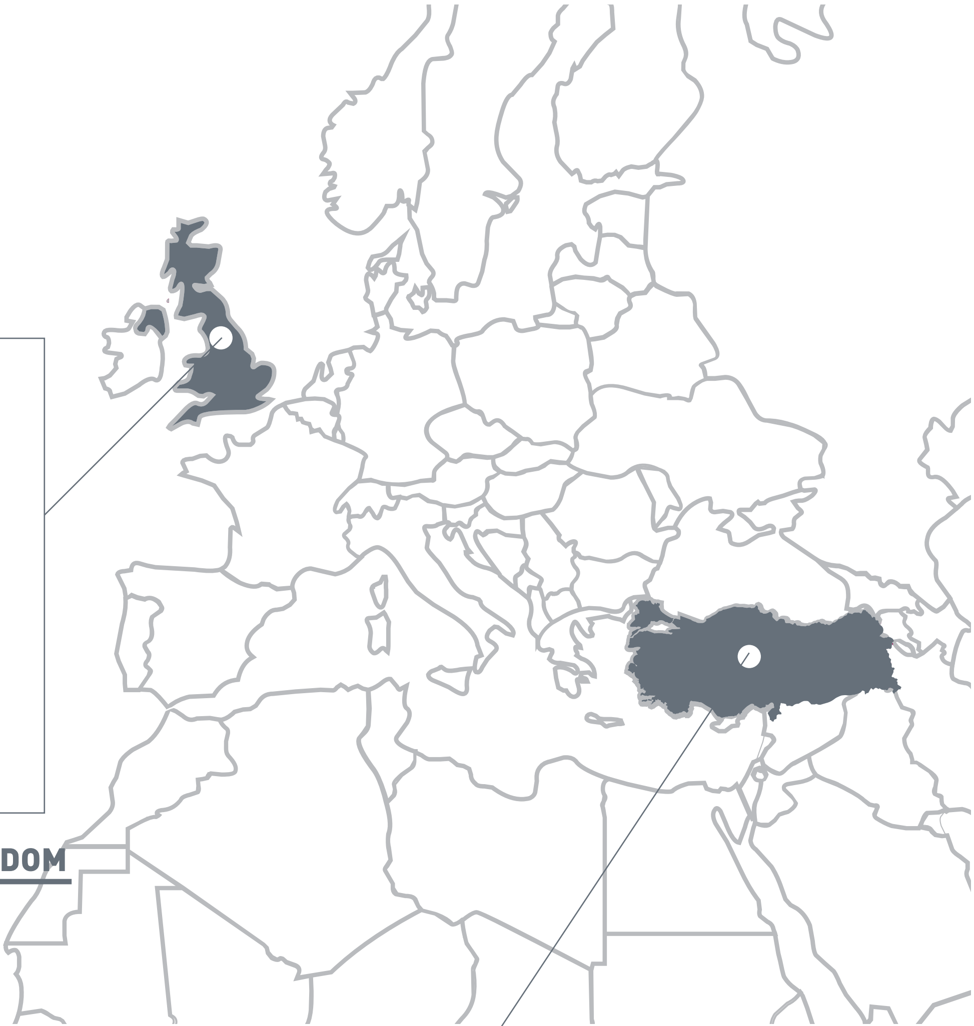
ÇİMENTAŞ GROUP

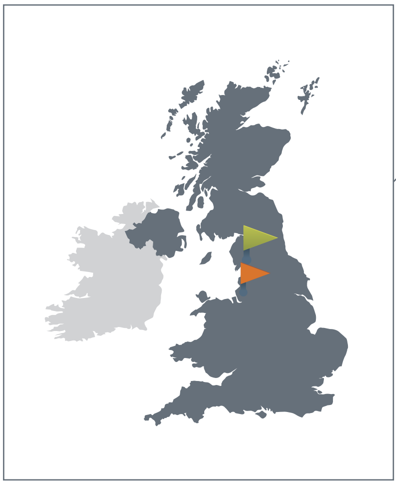
Founded in İzmir as the very first private cement plant of the Aegean Region, Çimentaş was acquired in 2001 by the Cementir Holding.
Çimentaş is the most important affiliate of Cementir Holding with its cement plants located at İzmir, Edirne, Elazığ and Kars, 16 concrete plants throughout the country and with the industrial waste management facility located in Manisa.
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: **16**
Waste management facilities: **1**

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

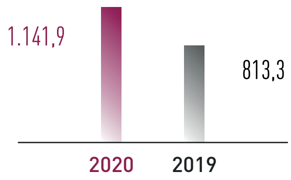
We consider diversity and inclusion a great asset. We work every day promoting diversity in all its forms and expressions.

Sustainability

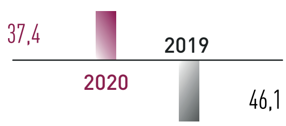
We believe that there can be no success without respect for the environment. We are responsible for the communities in which we live and work. It is our responsibility to take care of our property while safeguarding the environment and natural resources.

PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

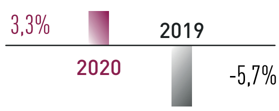
Revenue (TL million) 40,4%



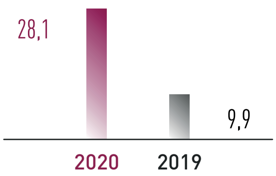
EBITDA (TL million) +181,1%



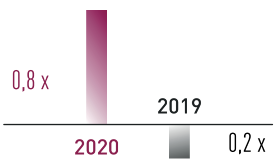
EBITDA Margin (%) +9 percentage points



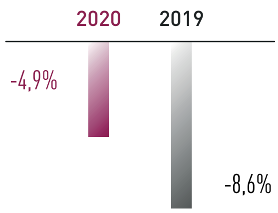
Net finansal debt (TL Million) 18,2 million



Net finansal debt / EBITDA



Return on equity (%)



Performance highlights

('000 TL)	2020	2019	2018	2017	2016	2015	2014
Revenue	1.141.875	813.275	970.249	868.945	777.463	747.987	780.621
EBITDA	37.421	(46.143)	60.041	98.235	59.721	133.128	193.719
EBITDA Margin %	*3,3%*	*-5,7%*	*6,2%*	*11,3%*	*7,7%*	*17,8%*	*24,8%*
EBIT	(37.015)	(109.898)	3.481	38.600	-2.918	69.497	132.055
EBIT Margin %	*-3,2%*	*-13,5%*	*0,4%*	*4,4%*	*-0,4%*	*9,3%*	*16,9%*
Financial income / (expense)	(24.418)	(2.186)	(21.392)	2.353	(2.508)	(1.975)	423
Profit / (loss) before taxes	(61.433)	(112.084)	(17.911)	40.953	-5.426	67.522	132.478
Income taxes	5.023	8.240	(29)	(33.960)	(17.793)	(9.234)	(16.118)
Profit / (loss) for the year	(56.410)	(103.844)	(17.940)	6.993	(23.219)	58.288	116.360
Profit / (loss) for the period margin %	*-4,9%*	*-12,8%*	*-1,8%*	*0,8%*	*-3,0%*	*7,8%*	*14,9%*
Group net profit/ (loss)	(35.250)	(82.756)	(5.522)	31.640	4.667	73.232	110.866
Group net profit/ (loss) margin %	*-3,1%*	*-10,2%*	*-0,6%*	*3,6%*	*0,6%*	*9,8%*	*14,2%*

Financial and equity highlights

('000 TL)	2020	2019	2018	2017	2016	2015	2014
Net capital employed (a)	837.007	870.109	930.709	912.719	904.034	938.028	962.845
Total assets	1.790.158	1.700.594	1.740.935	1.567.200	1.500.017	1.539.627	1.482.668
Total equity	1.144.460	1.202.613	1.234.200	1.175.934	1.175.409	1.199.162	1.141.423
Group shareholders' equity	904.228	940.828	1.018.495	1.021.404	996.639	992.593	919.710
Net financial debt	28.102	9.904	773	20.855	19.429	22.730	44.350

(a) Intangible assets + tangible assets + working capital

Profit and equity ratios

	2020	2019	2018	2017	2016	2015	2014
Return on equity (a)	-4,9%	-8,6%	-1,5%	0,6%	-2,0%	4,9%	10,2%
Return on capital employed (ROCE) (b)	-4,4%	-12,6%	0,4%	4,2%	-0,3%	7,4%	13,7%
Equity ratio (c)	63,9%	70,7%	70,9%	75,0%	78,4%	77,9%	77,0%
Net gearing ratio (d)	2,5%	0,8%	0,1%	1,8%	1,7%	1,9%	3,9%
Net financial debt / EBITDA	0,8x	(0,2)x	0,0x	0,2x	0,3x	0,2x	0,2x

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

Cash flows

('000 TL)	2020	2019	2018	2017	2016	2015	2014
Cash flows from operating activities (CFFO)	35.242	(45.046)	(78.062)	13.844	56.779	91.727	90.452
Cash flows from investing activities (CFFI)	(13.753)	(24.518)	3.567	(28.185)	(45.332)	(39.234)	(74.120)
Cash flows from financing activities (CFFF)	(28.154)	77.034	112.192	(384)	(19.994)	(32.038)	(33.865)
Free cash flow (FCF)	(6.665)	7.470	37.697	(14.725)	(8.547)	20.455	(17.533)

Employees

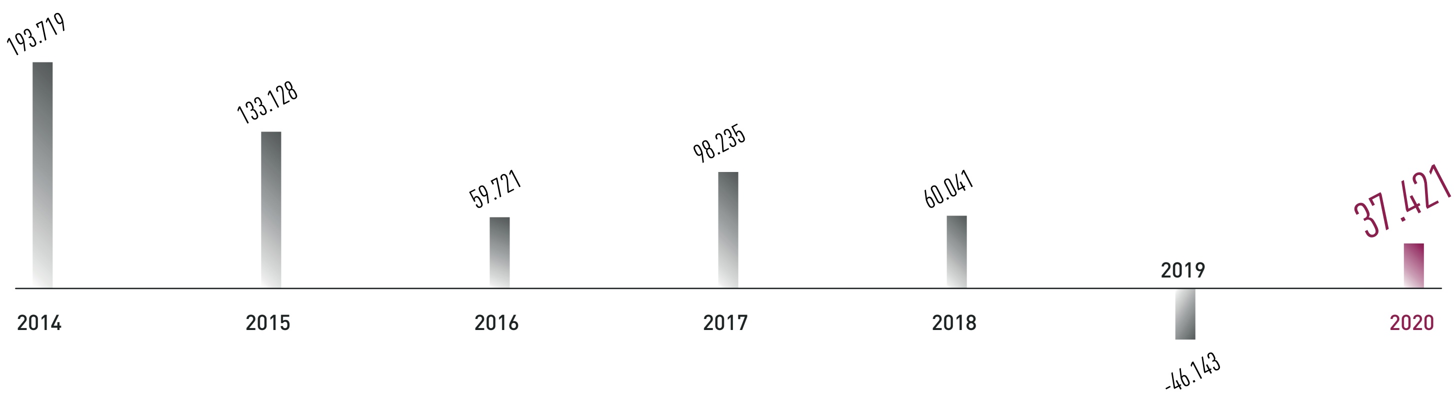
	2020	2019	2018	2017	2016	2015	2014
Number of employees (at 31 Dec.)	748	769	819	885	919	1.047	1.082
Investments (000 TL)	32.955	30.247	46.235	38.342	46.827	58.038	83.707

Sales volumes

	2020	2019	2018	2017	2016	2015	2014
Grey cement (tonnes)	3.867.233	2.852.162	3.567.132	4.239.403	4.087.727	3.621.625	3.908.297
Ready-mixed concrete (m^3)	1.469.596	1.003.233	1.703.759	1.562.814	1.892.886	1.491.148	1.387.029

EBITDA performance

(thousand TL)



ANNUAL REPORT

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2 ANNUAL REPORT

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Adalet Mah. Manas Bulvarı, No:39
Folkart Towers, B Kule, Kat: 35
Bayraklı 35530 İzmir
Tel +90 232 464 2045
Fax +90 232 464 2145
www.kpmg.com.tr

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

To the Shareholders of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Opinion

We have audited the annual report of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("the Company")and its subsidiaries (together will be referred to as "the Group")for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The annual report of the Group for the period between 1 January 2019 and 31 December 2019 was audited by another auditor who expressed an unmodified opinion on the annual report on 4 March 2020.

KPMG

Auditor's Opinion on Complete Set of consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2020 and 31 December 2020 on 4 March 2021.

Board of Directors’ Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 (“TCC”) and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 (the “Communiqué”), the Group’s management is responsible for the following regarding the annual report:

a) The Group’s management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Group’s management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group’s consolidated financial statements. The annual report shall also clearly indicates the details about the Group’s development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Group after the reporting period,

- The Group’s research and development activities.

- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor’s Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

KPMG

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

İsmail Önder Ünal, SMMM
Partner
4 March 2021
İzmir, Türkiye

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş
2020 ANNUAL REPORT

A- GENERAL INFORMATION

1. Accounting period:
01.01.2020-31.12.2020

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.tr
Head office:	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	84.586.194,11	97,10
Other/BIST	2.526.269,09	2,90
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	16.04.2020-15.04.2021
Marco Maria Bianconi	Vice Chairman	16.04.2020-15.04.2021
Mevlüt Cenker Mirzaoğlu*	CEO	16.04.2020-15.04.2021
Pasquale Vetrano	Member	16.04.2020-15.04.2021
İlhan F. Gürel	Member	16.04.2020-15.04.2021
Bahri Zuhal	Independent Board Member	16.04.2020-15.04.2021
Mehmet Cemali Dinçer	Independent Board Member	16.04.2020-15.04.2021

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
Ercan Karaismailoğlu*	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
Melek Özen	Human Resources Director

*Due to retirement of Ali İhsan Özgürman Ercan Karaismailoğlı has been appointed as Chief Financial Officer.

6. Corporate Governance Committee

Bahri Zuhal	President
Marco Maria Bianconi	Member
Didem Hürcan	Member

7. Audit Committee

Bahri Zuhal	President
Mehmet Cemali Dinçer	Member

8. Risk Committee

Mehmet Cemali Dinçer	President
Marco Maria Bianconi	Member
Ercan Karaismailoğlu	Member

9. Personnel

708 employees, including executives, were working in Çimentas Group Companies as at 31.12.2020. If we include Neales Waste Management Holdings Ltd. located in the UK and controlled by Recydia A.Ş, which employs 40 staff, our total number of staff members is 748.

A collective Labour Agreement for the years 2020 and 2021 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	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 2020 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 13,505,515 TL.
Private health insurance is provided to executives in the senior management of the company, except for salaries. Apart from this, there is no fixed dividend, premium, bonus, etc. payment system.
On behalf of the company, the total amount of all benefits provided to the top executives during the year 2020 was 10,255,178 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	İzmir, Trakya	**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, Trakya	**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	İzmir, Trakya, Elazıg	**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.
ProductDevelopment	Trakya	**High Additive Cement Production for the Ready-Mixed Concrete Sector:** As an alternative to the CEM I 42.5 R product, CEM II / A-M (P-L) 42.5 R type cement with 12-20% mineral additive was produced. The carbon footprint has been reduced with less clinker use.

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Scope	Plant	R&D activity
Environmental Protection,	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 2020, the Investment Committee focused on increasing the efficiency of the existing equipment in the Izmir factory, increasing the amount of alternative fuel usage by diversifying the alternative fuel types accepted to the factory, improving environmental conditions and increasing the efficiency of maintenance and repair processes; In Edirne facilities, it focused on projects to improve the use of Alternative Fuel. Relevant maintenance and repair works were carried out at Elazığ and Kars facilities in order to maintain the current factory conditions.
- In investment processes, the Covid-19 pandemic conditions were taken into consideration, delays in delivery times and issues that could increase investment costs were taken into account in all planning processes.
- 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 making investment plans for 2020, mainly focused on issues that are determined to contribute to the current process optimization, increase the use of alternative fuels and alternative raw materials, increase the amount of reserves in mine sites, improve environmental conditions, and improve occupational health and safety.

Factories	Investment Amount in 2020 (TL)
Cimentas	18.015.700
Elazıg	3.642.814
Kars	2.096.578
Trakya	3.431.709
Cimbeton	3.400.852
Toplam	**30.587.653**

- Investment plan to be made in 2021; Includes projects that will contribute to the improvement of existing factory performance, energy use and efficiency improvements, and reduction of production costs, with rapid results. The focus will be on the modernization of compressed air systems in Izmir and Kars factories, investments that will contribute to increasing energy security and efficiency in Izmir and Edirne factories, and investments in environmental improvements of all our facilities, especially in Izmir and Elazig 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. KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. 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

2020 döneminde Çimentaş grubu şirketlerine ait bağış ve yardımların konsolide olarak hesaplanmış toplam

The consolidated amount of donations made on behalf of Cimentas Group was 1.935.917,47-TL. Most of these donations (1.400.000 TL) consist of cash donations made as a Group due to the earthquake disasters that occurred first in Elzaığ and then in İzmir.

The total amount of donations made on behalf of the Company in 2020 was 609.054,51-TL, consisting of 606.815,43-TL in cash and 2.239,08-TL as commodities.

The donation amounts are within the limits of the donation power received at the 2019 Ordinary General Assembly.

5. Information on production and sales

As seen from the annual growth numbers of 2020 Turkey has an annual growth of 1,8% overall. However, the construction sector has shrunk by 3,5%. Despite the shrinkage in construction sector, 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 increase by 26,7% and export sales increase by 112,9%.

Within this context, total group sales increased by 39,3% compared to the same period of the previous year.

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

More than 50% of the costs of all enterprises in the sector and our company on a regional basis constitute energy, including fuel and electricity. Therefore, energy management and its cost are sensitive to the sector, and the upward changes in coal and petroleum coke prices and / or exchange rates and the increases in electricity prices adversely affect the capacity utilization and competitiveness of the sector. Although an increase in coal and petroleum coke prices is not expected in USD terms, the exchange rate effect is expected to have negative effects.

It is seen that the negative effects of the COVID-19 epidemic on both our country's economy and the global economy also affect the construction industry. Within the framework of the efforts to return to normal and the seasonal effects that started in June 2020, signs of recovery have started to be seen in our sector. This situation was reflected in the construction permits, and in the first nine months of 2020, the area of construction permits granted by the Municipalities increased by 58.1% compared to the previous period. As a matter of fact, when we look at the growth figures for the third quarter of 2020 announced by TURKSTAT, it is seen that the general economy grew by 6.7%. The construction sector also grew by 6.4% in the third quarter. However, it is necessary to keep in mind that the COVID-19 epidemic is still widespread, new wave concerns that may come due to mutations in the virus, and new restrictions and closures.

Besides the effects of this unexpected and temporary epidemic;

In order to increase the use of alternative fuels in the sector, incentives for waste-management must be improved and made more attractive.

One of the most sensitive issues in the industry is the licensing and sustainability of raw material resources. Both legal and practical developments in these matters are also carefully followed.

Urban Transformation projects to be realized within the framework of the enacted «Law on Transformation of Areas Under Disaster Risk» are seen as one of the most important potentials in front of the sector.

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	2020	2019
Current rate	1.05	1.53
Liquidity rate	0.83	1.13
Liabilities/assets	0.36	0.29
Liabilities/equity	0.56	0.41
Equity/assets	0.64	0.71
Profitability by sales	0.10	0.02

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 N.V., 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 Mehmet Cemali Dinçer, Mr Marco Maria Bianconi and Mr Ercan Karaismailoğlu for 2020. 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 numbered 702104. 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.

More than 40 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 2020 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. Çimentaş 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 2019 was held on 16th April 2020 and 98% participation was recorded at the Ordinary General Assembly for the year 2019. 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.

A 2-year collective labor agreement covering the year 2020-2021 has been signed between the Cement Industry Employers Union (ÇEİS), of which we are a member, and ÇİMSE-İŞ labor union. With this collective agreement, the wages and social rights of our personnel working in the status of worker have been increased. The wages and social rights of other employees are determined on the basis of merit and performance, taking into account inflation and financial status.

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
Mehmet Cemali Dinçer	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 UK in London 'Finance Director' at Caltagirone S.p.A, and 'Budget and Controlling Director' and 'M&A and IR Director' at Cementir Holding N.V. He is currently working as a 'Business Development Director' at Cementir Holding N.V.
Marco Maria Bianconi graduated from Luiss University as an Economist and has an MA in Business Administration from New York University School of Business and holds '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.

Paolo Regoli, he studied Economics in England and completed his Master's Degree in Finance. He is a senior manager with over 20 years of experience in various companies, markets and positions in the field of Finance and Administration. He started his career in the UK by working for the Italian stainless steel manufacturer AST Group, which is part of the German ThyssenKrupp group. In 2006, he worked as the Italian Holding Group Control Manager. In 2009, he embarked on a new experience, working as Group Control Manager for eight years at a private Italian company that is the European leader in the food packaging industry. In 2017, he became CFO in a small but dynamic business in the architectural and luxury hotel industry. In 2018, he joined Cementir Holding as Group Planning, Budget and Control Head.

Ilhan 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.

Mehmet Cemali Dinçer, Prof. Dr. Cemali Dinçer is a graduate of METU (Middle East Technical University), Ankara-Turkey, from the Department of Industrial Engineering in the Faculty of Engineering. He subsequently completed his graduate education in the USA, studying on a NATO scholarship at Stanford University first a MSc degree in Industrial Engineering and, a MSc degree in Statistics, followed by a PhD in Industrial Engineering and Engineering Management. He was then invited to take part in establishing the Department of Industrial Engineering at Bilkent University, the first "Foundation University" of Turkey started education in Ankara at the time. In 1986 he was appointed as one of the first academic staff members at Bilkent University. In 1998 Dr. Dinçer transferred to the private sector and worked as General Manager of Yeni Asır Daily (a newspaper belonging Sabah Group of Media Company) in Izmir. Later he moved back to academia and joined Izmir University of Economics (IUE).
In 2006 Dinçer served as the General Manager of IzAIR (Izmir Airlines), an airline company operating in İzmir. In 2011 he worked at Istanbul Bilgi University as the Dean of the Faculty of Engineering and then as the Vice Rector, responsible for Academic Affairs.
Following these posts, he started work at Yaşar University in Izmir starting in September 2014. Dr. Dinçer has been reappointed as the Rector of Yaşar University by the Higher Education Council of Turkey in August 2019 for the second term of office.
Dr. Dinçer has received many awards, including by Stanford University, as well as he has published numerous scientific articles and books in international and national journals.
Since the Candidate Presentation Committee has not been formed, Mr. Bahri Zuhal and Mr. Mehmet Cemali Dinçer, 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 03.03.2020 and approved at the Board of Directors Meeting on 04.03.2020 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 Mehmet Cemali Dinçer 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 Mehmet Cemali Dinçer was elected as the chairman of the Risk Committee and board members Marco Maria Bianconi and Chief Financial Officer Ercan Karaismailoğlu were elected as 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 been operating regularly, providing the Board of Directors with quarterly Risk Management Reports and follow-up on Management actions to mitigate the mapped risks.
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.

CONSOLIDATED FINANCIAL STATEMENTS 2020

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3 CONSOLIDATED FINANCIAL STATEMENTS 2020

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("the Company")and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

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

Fair value measurement of investment properties

Refer to Note 2 and Note 11 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for investment property.

The key audit matter	How the matter was addressed in our audit
In accordance with IAS 40, "Investment Properties", the investment properties are carried at fair value on the consolidated financial statements amounting to TL 458.035 thousands. The fair value gain amounting to TL 54.075 thousands was appraised by the independent professional valuers at 31 December 2020. The fair value gain was recognised as income from investing activities and the deferred tax effect was recognised in the tax income within the consolidated income statement. This was a key audit matter since the total amount of the investment property as of 31 December 2020 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.	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 m2, 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 m2, the construction costs per m2 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.

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Goodwill impairment

Refer to Note 2 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for goodwill impairment.

The key audit matter	How the matter was addressed in our audit
Goodwill amounting to TL 200.631 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.

Recoverability of trade receivables

Refer to Note 2 and Note 7 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of trade receivables.

The key audit matter	How the matter was addressed in our audit
Trade receivables amounting to TL 344.803 thousands in total assets. 31 December 2020 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 were tested on a sample basis by sending confirmation letters. -The aging of trade receivable balances 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 and obtained written assessments of legal counsels on outstanding litigations and disputes. -The compliance of the disclosures of recoverability of trade receivables in the consolidated financial statements with the relevant financial reporting standards was evaluated.

Other Matter

The consolidated financial statements of of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4 March 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 31 December 2020.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2020 and 31 December 2020, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

İsmail Önder Ünal, SMMM
Partner
4 March 2021
İzmir, Türkiye

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF
31 DECEMBER 2020 AND 2019
(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

ASSETS	Note	31 December 2020	31 December 2019
Current Assets		**574.967**	**529.401**
Cash and Cash Equivalents	5	80.242	93.216
Trade Receivables		344.803	267.009
- Due From Related Parties	*4.1*	*15.868*	*40*
- Due From Third Parties	*7.1*	*328.935*	*266.969*
Other Receivables		4.989	8.273
- Due From Related Parties	*4.2*	*52*	*75*
- Due from Third Parties	*8.1*	*4.937*	*8.198*
Inventoriesr	9	124.107	137.607
Prepaid Expenses	10.1	10.940	11.532
Current Income Tax Assets	27	251	510
Other Current Assets	19.1	9.635	11.254
Non-Current Assets		**1.215.191**	**1.171.193**
Other Receivables		870	757
- Due from Third Parties	*8.2*	*870*	*757*
Investment Properties	11	458.035	410.260
Tangible Assets	12	463.980	492.290
Right of Use Assets	13	26.379	9.049
Intangible Assets		206.137	200.120
- Goodwill	*15*	*200.631*	*194.797*
- Other Intangible Assets	*14*	*5.506*	*5.323*
Prepaid Expenses	10.2	29	65
Deferred Tax Assets	27	26.551	22.937
Other Non-Current Assets	19.2	33.210	35.715
TOTAL ASSETS		**1.790.158**	**1.700.594**

LIABILITIES	Note	31 December 2020	31 December 2019
Short-Term Liabilities		**545.445**	**345.955**
Short Portions of Long-Term Borrowing	6	19.580	4.676
- Current Portions of Long-Term Borrowing from			
Non-Related Parties		*19.580*	*4.676*
- Leasing Payables		*19.580*	*4.676*
Trade Payables		302.020	226.917
- Due to Related Parties	*4.3*	*46.033*	*32.285*
- Due to Third Parties	*7.2*	*255.987*	*194.632*
Debts Related to Employee Benefits	18.1	7.555	5.632
Other Payables		159.166	62.369
- Other Payables to Related Parties	*4.4*	*155.360*	*61.464*
- Other Due to Third Parties	*8.3*	*3.806*	*905*
Deferred Income (Apart from Obligations Arising under Customer Contracts)	10.3	9.716	3.617
Current Income Tax Liability	27	383	2.021
Short-Terms Provisions		41.014	29.600
- Short-term Provisions for Employee Benefits	*18.2*	*8.109*	*2.674*
- Other Short-term Provisions	*16.3*	*32.905*	*26.926*
Other Short-Term Liabilities	19.3	6.011	11.123
Long-Term Liabilities		**100.253**	**152.026**
Long-Term Borrowings	6	8.522	5.228
- Long-Term Borrowing from Non-Related Parties		*8.522*	*5.228*
- Leasing Payables		*8.522*	*5.228*
Other Payables		--	55.200
- Other Payables to Related Parties	*4.5*	*--*	*55.200*
Long-term Provisions		64.784	56.241
- Long-term Provisions for Employee Benefits	*18.3*	*26.932*	*24.933*
- Other Long-term Provisions	*16.3*	*37.852*	*31.308*
Deferred Tax Liability	27	26.947	35.357
TOTAL LIABILITIES		**645.698**	**497.981**
EQUITY		**1.144.460**	**1.202.613**
Equity of Parent Company		**904.228**	**940.828**
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		79.860	81.182
Revaluation and Remeasurement Gains	*20*	*79.860*	*81.182*
- Tangible Fixed Assets Revaluation Fund Increases	*20*	*100.604*	*100.958*
- Re-measurement Loss on Defined Benefit Plans	*20*	*(20.167)*	*(19.199)*
- Other Loss on Revaluation and Measurement	*20*	*(577)*	*(577)*
Other Accumulated Comprehensive Income / Expenses that will be Reclassified through Profit or Loss		9.880	10.133
- Foreign Currency Translation Differences		*9.880*	*10.133*
Reserves on Retained Earnings		63.407	63.407
Retained Earnings		520.977	603.508
Net loss for the period		(35.250)	(82.756)
Non-Controlling Interests		**240.232**	**261.785**
TOTAL LIABILITIES		**1.790.158**	**1.700.594**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

PROFIT OR LOSS	Note	1 January – 31 December 2020	1 January – 31 December 2019
Revenue	21	1.141.875	813.275
Cost of Sales (-)	21	(1.030.986)	(794.964)
GROSS PROFIT	**21**	**110.889**	**18.311**
General Administrative Expenses (-)	22.1	(133.527)	(119.674)
Marketing Expenses (-)	22.2	(41.143)	(25.759)
Other Income from Real Operating Activities	24.1	15.267	20.091
Other Expenses from Real Operating Activities (-)	24.2	(28.340)	(25.112)
OPERATING LOSS		**(76.854)**	**(132.143)**
Income from Investing Activities	25.1	55.886	41.014
Expenses from Investing Activities (-)	25.2	(16.047)	(18.769)
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL EXPENSE		**(37.015)**	**(109.898)**
Financial Income	26.1	20.586	19.768
Financial Expenses (-)	26.2	(45.004)	(21.954)
LOSS BEFORE TAX		**(61.433)**	**(112.084)**
Tax Income / (Expense)		**5.023**	**8.240**
Income Tax Expense	27	(5.197)	(7.007)
Deferred Tax Income	27	10.220	15.247
PERIOD LOSS		**(56.410)**	**(103.844)**
Period Loss Distribution			
Non-Controlling Interests		(21.160)	(21.088)
Equity of Main Shareholders		(35.250)	(82.756)
Net loss for the period		**(56.410)**	**(103.844)**
Loss per Share Attributable to Parent Company TL	28	**(0,4071)**	**(0,9557)**
OTHER COMPREHENSIVE INCOME / (EXPENSE):			
Income that will not be Reclassified through Profit or Loss		**(1.322)**	**(4.498)**
Remeasurement Losses on Defined Benefit Plans		(1.652)	(5.622)
Taxes on Other Comprehensive Expense that will not be Reclassified through Profit or Loss		330	1.124
- Deferred Tax Income		*330*	*1.124*
Income that will be Reclassified through Profit or Loss		**(309)**	**1.141**
Foreign Currency Translation Differences		(309)	1.141
OTHER COMPREHENSIVE EXPENSE		**(1.631)**	**(3.357)**
TOTAL COMPREHENSIVE EXPENSE		**(58.041)**	**(107.201)**
Distribution of Total Comprehensive Expense			
Non-Controlling Interests		(21.561)	(21.583)
Equity of Main Shareholders		(36.480)	(85.618)
Total Comprehensive Expense		**(58.041)**	**(107.201)**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS

1 JANUARY- 31 DECEMBER 2020 AND 2019

(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 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
CURRENT PERIOD					
Balances as of 1 January 2020	87.112	20.069	(3.381)	161.554	100.958
Transfers	--	--	--	--	(354)
Net loss for the period	--	--	--	--	--
Other comprehensive income / (expenses)	--	--	--	--	--
Total comprehensive income / (expenses)	--	--	--	--	--
Dividends	--	--	--	--	--
Balances as of 31 December 2020	87.112	20.069	(3.381)	161.554	100.604

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
(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**
(19.199)	**(577)**	**10.133**	**63.407**	**603.508**	**(82.756)**	**940.828**	**261.785**	**1.202.613**
9	--	--	--	(82.419)	82.756	(8)	8	--
--	--	--	--	--	(35.250)	(35.250)	(21.160)	(56.410)
(977)	--	(253)	--	--	--	(1.230)	(401)	(1.631)
(977)	**--**	**(253)**	**--**	**--**	**(35.250)**	**(36.480)**	**(21.561)**	**(58.041)**
--	--	--	--	(112)	--	(112)	--	(112)
(20.167)	**(577)**	**9.880**	**63.407**	**520.977**	**(35.250)**	**904.228**	**240.232**	**1.144.460**

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS
1 JANUARY - 31 DECEMBER 2020 AND 2019
(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

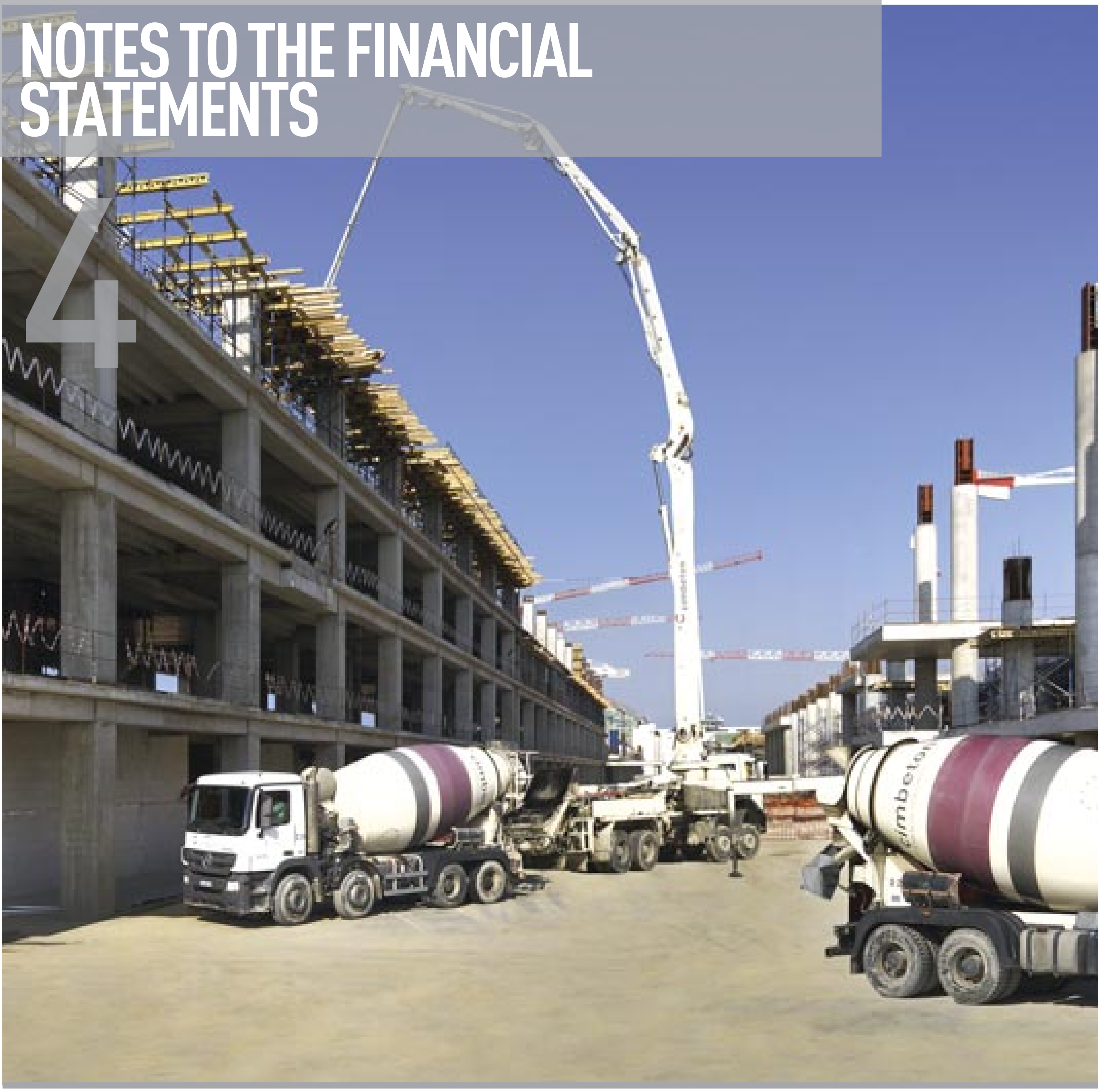
		31 December 2020	31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		**35.242**	**(45.046)**
Period Loss		**(56.410)**	**(103.844)**
Period Loss from Ongoing Operations		(56.410)	(103.844)
Adjustments for Period Net Loss Reconciliation		**78.324**	**47.808**
Adjustments for Depreciation and Amortization Expense	12.2, 23	74.436	63.755
Adjustments for Impairment		(551)	22.851
Adjustments for Impairment Value in Receivables	*7.1*	*(551)*	*4.082*
Adjustments for Impairment in Tangible Fixed Assets	*25.2*	*—*	*18.769*
Adjustments to Provisions		18.515	9.012
Adjustments for Provisions Related with Employee Benefits		*8.451*	*3.358*
Adjustments for Provisions for Lawsuits and Fines	*16.3*	*3.600*	*1.345*
Adjustments for Other Provisions		*6.464*	*4.309*
Adjustments for Interest Income and Expenses		2.173	(5.051)
Adjustments for Interest Income	*24.1, 26.1*	*(12.057)*	*(11.731)*
Adjustments for Interest Expenses	*24.2, 26.2*	*14.230*	*6.680*
Adjustments for Unrealized Foreign Currency Exchange Differences		25.427	6.495
Adjustments to Earnings on Fair Value		(54.075)	(40.510)
Adjustments for Fair Value Gains on Investment Property	*25.1*	*(54.075)*	*(40.510)*
Adjustments for Tax (Income) / Expense	27	(5.023)	(8.240)
Adjustments for Losses/Earnings through Sale of Long-Term Assets	25.1, 25.2	14.236	(504)
Other Adjustments to Reconcile Period Net Profit /(Loss)		3.186	—
Changes in Operating Capital		**24.010**	**24.158**
Adjustments for Increase in Trade Receivables		(67.331)	(9.728)
(Increase) / Decrease in Trade Receivables from Related Parties		*(9.524)*	*583*
Increase in Trade Receivables from Non-Related Parties		*(57.807)*	*(10.311)*
Adjustments for Increase in Other Receivables Related to Operations		(55)	(1.135)
Adjustments for Increase in Other Receivables Related to Operations from Non-Related Parties		*(55)*	*(1.135)*
Adjustments for Decrease in Inventories		11.096	71.061
Adjustments for Inventory Increase / (Decrease) in Trade Payables		71.439	(28.337)
Increase / (Decrease) in Trade Payables to Related Parties		*8.368*	*(80.626)*
Increase in Trade Payables to Non-Related Parties		*63.071*	*52.289*
Adjustments for Increase / (Decrease) in Other Payables Related to Operations		2.901	(1.481)
Increase / (Decrease) in Other Payables due to Non-related Party Transactions		*2.901*	*(1.481)*
Increase / (Decrease) in Deferred Income (Apart from Obligations Arising under Customer Contracts)		6.099	(4.944)
Adjustments for Other Decreases in Working Capital		(139)	(1.278)
Decrease in Other Assets Related to Operations		*5.109*	*3.848*
Decrease in Other Liabilities Related to Operations		*(5.248)*	*(5.126)*
Cash Flow Used in Activities		**45.924**	**(31.878)**
Payments Made Related to Provisions for Employee Benefits		(3.736)	(6.264)
Tax Payments		(6.946)	(6.904)

ÇİMENTAŞ İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS
1 JANUARY - 31 DECEMBER 2020 AND 2019
(The amounts are expressed in Turkish Lira ("thousand TL") unless otherwise stated.)

		31 December 2020	31 December 2019
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		**(13.753)**	**(24.518)**
Cash Inflows from Proceeds from Sale of Tangible and Intangible Assets		12.214	1.546
Cash Outflows from Acquisition of Tangible and Intangible Assets		(32.919)	(29.858)
Cash Advances and Payments Made		23	166
Repayments of Cash Advances and Loans Made to Related Parties		*23*	*166*
Interest Received		6.680	3.628
Other Cash Inflows		249	—
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(28.154)**	**77.034**
Cash Inflows from Changes in Shareholdings in Subsidiaries Without Loss of Control		—	75.984
Cash Inflows from Loans and Borrowing		68.500	—
Cash Outflows from Repayment of Loans and Borrowings		(68.500)	—
Increase in Other Trade Payables Received from Related Parties		2.515	9.664
Decrease in Other Trade Payables Received from Related Parties		(506)	(50)
Cash Outflows from Payment of Payables Arising under Leases		(21.119)	(4.631)
Dividend Payment		(112)	(370)
Interest Paid		(8.932)	(3.563)
INCREASE / (DECREASE) IN CASH and CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(6.665)**	**7.470**
D. THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(6.309)**	**(4.703)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(12.974)**	**2.767**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**93.216**	**90.449**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**5**	**80.242**	**93.216**

NOTES TO THE FINANCIAL STATEMENTS

4



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
• 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 2,90 percent of Çimentaş's capital (31 December 2019: 2,20%) and 49,65 percent of Çimbeton's capital (31 December 2019: 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 2020, the number of employees in the Group is 748 (31 December 2019: 769).

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 ("KGK"). 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 2021, the board of directors approved the Group's financial statements for the 31 December 2020 year-end. The General Assembly is entitled to amend the financial statements in question after their legal publication and the regulatory bodies concerned are entitled to request they be amended.

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 Company 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 2020 and 2019:

	Çimentaş and its subsidiaries' direct and indirect share ratio (%)		**Çimentaş and its subsidiaries' direct and indirect controlling ratio (%)**	
	2020	**2019**	**2020**	**2019**
Destek	99,99	99,99	99,99	99,99
Recydia	51,72	51,72	79,26	79,26
NWM Holding	51,72	51,72	79,26	79,26
NWM	51,72	51,72	79,26	79,26
Quercia	51,72	51,72	79,26	79,26
CHS	51,72	51,72	79,26	79,26
Süreko	51,72	51,72	79,26	79,26
Kars Çimento	41,55	41,55	58,70	58,70
Çimbeton	50,31	50,31	92,81	92,81
Ilion Çimento	50,28	50,28	92,80	92,80

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 (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 2020	31 December 2019
Turkish Lira/Sterling	0,1006	0,1286

Average:

	1 January - 31 December 2020	1 January - 31 December 2019
Turkish Lira/Sterling	0,1113	0,1384

2.2 Changes in the Turkish Financial Reporting Standards

Amendments as of 31 December 2020, but which had not yet entered into force, and were not applied early
Amendments which had been published but which have not yet entered into force and been applied early
Some new standards, remarks and amendments which had been published as of the reporting date but not yet come into force and which were not applied early by the Group although approval for their early application had been granted are as set out below.

Classification of Liabilities as Short or Long Term (Amendments to TAS 1)
Amendments relating to the "Classification of Liabilities as Short or Long Term", published by the International Accounting Standards Board (IASB) on 23 January 2020 in order to make the presentation of financial statements clearer pursuant to IAS 1 by classification of liabilities as short or long term, were published on 12 March 2020 by the Public Oversight, Accounting and Auditing Standards Authority entitled "Amendments to TAS 1 – Classification of Liabilities as Short or Long Term".
This amendment brought clarity to additional statements relating to the classification of liabilities as long term, the management of which could be deferred by at least twelve months and other matters relating to the classification of liabilities.
The amendments to TAS 1 deal with the following matters:

a. In the classification of the obligations, it should be clearly stated that the right of the enterprise to defer the liability should exist at the end of the reporting period.
b. Stating the expectations and objectives of the business management regarding the use of the right to defer the liability will not affect the long-term classification of the liability.
c. Clarifying how the borrowing conditions of the business will affect the classification in question.
d. Clarifying provisions regarding the classification of liabilities that the business can pay with its own equity instruments.

The company is required to apply these changes retrospectively as of reporting periods starting on or after 1 January 2022. However, early application is permitted. Finally, by way of the IAS 1 amendment issued on 15 July 2020 by the IASB, it was decided that the date of entry into force of the amendment would be deferred to 1 January 2023, and the amendment in question was issued by the Public Oversight, Accounting and Auditing Standards Authority on 15 January 2021.
The implementation of this amendment to TAS 1 is not expected to have a significant effect on the Group's consolidated financial statements.

Recognised Concessions for Lease Payments in relation to COVID-19 – Amendments made to TFRS 16
The IASB amendments of May 2020 in relation to IFRS 16 "Recognised Concessions for Lease Payments in relation to COVID-19 [sic] were also issued as Amendments made to TFRS 16 by the Public Oversight, Accounting and Auditing Standards Authority on 5 June 2020.
With this amendment, an exemption on COVID-19 for lessees has been added to TFRS 16 to not consider the lease concessions arising from COVID-19 as a change to the lease.
The prescribed facilitating exemption will only be applicable to lease payment concessions granted due to the COVID-19 outbreak and only if all of the following conditions are met:

- The change in the lease payments causes the rental price to be revised and the revised price is substantially the same or lower than the rental price immediately before the change,
- Any reduction in lease payments only affect payments that normally expire on or before 30 June 2021,
- There is no significant change in other terms and conditions of the lease.

There are no facilitating provisions for lessors. Lessors should continue to assess whether their lease concessions have been a change to the lease and account for it accordingly.

The date of entry into force for Amendments to TFRS 16 - Recognised Concessions for Lessees in Lease Payments with regard to COVID-19 is reporting periods on 1 June 2020 or later, but early application is permitted.

Amendment to TFRS 3 relating to References in the Conceptual Framework

In May 2020 the IASB issued an amendment to TFRS 3 relating to References to the Conceptual Framework. With the amendment, the references made by the IASB in TFRS 3 to an earlier version of the Conceptual Framework for Financial Reporting have been replaced with references to the latest version published in March 2018. Subsequently a TFRS 3 amendment to reflect these amendments was also issued by the Public Oversight, Accounting and Auditing Standards Authority on 27 July 2020.

The Group must apply these amendments as of reporting terms commencing on 1 January 2022 or later, but consent has also been granted for early application.

Tangible Assets — Making them fit for purpose (amendment to TAS 16)

In May 2020, the IASB issued the amendment «Tangible Assets — Making them fit for purpose», which amended the standard in TAS 16 Tangible Assets. With this amendment it is no longer permitted for a company to deduct from the cost of an item any proceeds from selling items produced while making that item fit for purpose. Instead, the company will account for the proceeds of selling such items and the cost of producing such items, in profit or loss. Subsequently a TAS 16 amendment to reflect these amendments was also issued by the Public Oversight, Accounting and Auditing Standards Authority on 27 July 2020.

The amendment in question increases transparency and consistency by clarifying accounting provisions on this matter – in particular, with the amendment, it is no longer permitted to deduct from the cost of an item any proceeds from selling items produced while making that item fit for purpose. Instead a company will from now on reflect the proceeds of these types of sales and associated costs in profit and loss.

The Group must apply these amendments as of reporting terms commencing on 1 January 2022 or later, but consent has also been granted for early application.

Economically disadvantaged contracts - Contract fulfilment costs (amendment to TAS 37)

In May 2020, the IASB published the amendment «Economically disadvantaged contracts - Contract fulfilment costs» which amended TAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

The IASB issued this amendment to TAS 37 in order to assess whether a contract is economically disadvantageous and to clarify that costs of fulfilling the contract cover both necessary additional costs for fulfilling it and an allocation of other direct costs. Subsequently a TAS 37 amendment to reflect these amendments was also issued by the Public Oversight, Accounting and Auditing Standards Authority on 27 July 2020.

The amendments set out which costs businesses may include when specifying the costs of fulfilling a contract in order to assess whether a contract has been fulfilled.

The Group must apply these amendments as of reporting terms commencing on 1 January 2022 or later, but consent has also been granted for early application.

Annual Improvements/2018-2020 Cycle

TFRS Improvements

The «TFRS Annual Improvements/2018-2020 Cycle» which was issued on 27 July 2020 by the Public Oversight, Accounting and Auditing Standards Authority for standards in force is set out below. These amendments become valid as of 1 January 2022, and early application is permitted. The implementation of this amendment to TAS is not expected to have a significant effect on the Group's consolidated financial statements.

TFRS 1- First-time adoption of International Financial Reporting Standards

This amendment facilitates implementation of TFRS 1 in the event that a subsidiary partner starts to apply the TFRS after its parent. For example: In the event that a subsidiary partner starts to apply the TFRSs after its parent, it may, exercising the concession in paragraph D16(a) of TFRS 1, select to measure cumulative foreign currency translation differences using the amounts included on its parent's consolidated financial statements, based on the dates of the parent's transition to the TFRSs. This amendment will facilitate transition to TFRSs when this concession is voluntarily applied for subsidiary partners because it will i) reduce unnecessary costs, and ii) remove the need for similar simultaneous record keeping.

TFRS 9, "Financial Instruments"

This amendment - for the purpose of performing the «10% test» for derecognition of financial liabilities – clarifies that in determining the fees received on the net amount by deducting the fees paid for these transactions, the fees to be considered are only the debtors' and lenders', as well as fees paid or received between them or reciprocally on their behalf.

TFRS 16 Lease Procedures, Illustrative Example 13

By way of this amendment, the part of Illustrative Example 13 the part relating to the landlord making payment to the lessee with regard to private costs is removed. In the way it is currently issued this example is not clear as to why these types of payments are not a lease incentive. It will therefore be helpful in general to remove the possibility of confusion in specifying lease incentives in frequently encountered property leasing procedures.

Indicative Interest Rate Reform – Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 ve TFRS 16)

Changes by the IASB in August 2020, supplementing those published in 2019 and focusing on the effects of the benchmark interest rate reform on the financial statements of businesses, for example, an interest rate measure used to calculate interest on a financial asset and its replacement with an alternative comparison rate was published by the Public Oversight, Accounting and Auditing Standards Authority on 18 December 2020.

2nd Phase amendments, Indicative Interest Rate Reform – the 2nd Phase deals with matters that could affect financial reporting when there is an interest rate benchmarking reform, including hedging relationships arising from the effects of contractual cash flow changes or changes in an interest rate standard. With an alternative reference rate (conversion problems). [sic] The IASB issued initial amendments in the 1st Phase of the project in 2019.

2. The purpose of the Phased amendments is to assist companies on the following matters:

- application of IASB standards when changes are made in contractual cash flows or hedging relationships due to benchmark interest rate reform; and
- providing useful information to users of financial statement.

IASB, IFRS 9 Financial Vehicles and IAS 39 Financial Vehicles in Phase 2 of the Project: Accounting and Measurement, IFRS 7 Financial Vehicles: Disclosures have changed the provisions of IFRS 4 Insurance Contracts and IFRS 16 Leases with regard to the following:

- changes in the principles of declaring contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and disclosures.

2nd Phase amendments are only valid for changes that indicative interest rate reform necessitates in financial vehicles and hedging relationships.

The Group must apply these amendments as of reporting terms commencing on 1 January 2021 or later, but early application is also permitted.

Amendments in force that have started to apply

Amendments that have entered into force for accounting terms starting on 1 January 2020 and later are as follows:

1-) Updated Conceptual Framework (2018 version)

2-) TFRS 3 Amendments in Business Combinations - Definition of a Business

The application of the amendment in TFRS 3 has no significant effect on the Group's financial statements.

3-) Amendments in TAS 1 ve TAS 8 - Important Definitions

The application of the amendment in TAS 1 and TAS 8 has no significant effect on the Group's financial statements.

4-) Indicative Interest Rate Reform (Changes in TFRS 9, TAS 39 and TFRS 7)

The application of this amendment has no significant effect on the Group's financial statements.

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 2020, 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 2020 has been prepared in comparison with the consolidated statement of financial position as of 31 December 2019; 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 2020, 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 2019.

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 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) İAllocation 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) The Group can identify the payment terms for the goods or services to be transferred,

d) The contract has commercial substance,

e) The 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 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 Lease transactions

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 order to assess whether a contract conveys the right to control an identified asset, the Group uses the definition of lease in TFRS 16.
This policy applies to contracts entered into on or after 1 January 2019.

(i) As lessee

On the date the lease actively commences or the contract containing the lease component is amended, the Group shares each lease into components taking as a basis the proportional price of each rental component and the total price each of components that are not lease components in nature.
The group has chosen not to separate the components that are not lease components in nature from the lease components, but instead to account for each lease component and their related non-lease components as single lease components.
The Group recognises a right of use asset and a lease liability in its financial statements on the date the lease effectively commences. The initial measurement of the right-of-use asset and liability consists of the amount obtained by deducting all lease incentives received from all lease payments made on or before the actual commencement of the lease, all initial direct costs and all estimated future costs with regard to stripping and removal of the asset, restoration of the area in which it is placed, or restoration to bring the underlying asset into the condition required by the terms and conditions of the lease.
If the cost of the lease transaction, or the cost of assigning ownership of the underlying asset to the lessee at the end of the lease period or the cost of the right of use asset indicates that the lessee will exercise a purchase option, it will be subject to depreciation from the date the right of use asset lease actually commences to the end of the useful life of the underlying asset. Otherwise the right of use asset will be subject to depreciation starting as of the date the lease effectively commences until the end of the useful life of the asset in question or the lease, whichever is the shorter. In addition, the value of the right-of-use asset is periodically reduced by deducting any impairment losses, if any, and adjusted in line with the remeasurement of the lease liability.
At the actual start of the lease, the lease obligation is measured at the present value of the lease payments not paid at that time. If the interest rate implied on the lease can easily be determined, lease payments are discounted using this rate. If the implicit interest rate cannot easily be determined, using the Group's incremental borrowing rate.
The Group determines the alternative borrowing interest rate by taking into account the interest rates it will pay for its borrowings from various external financing sources and makes some adjustments to reflect the lease terms and the type of asset leased.
Lease payments included in the measure of lease liability comprise the following:

- Fixed payments (including fixed payments in essence);
- Variable lease payments based on an index or rate, whose initial measurement is made using an index or rate at the time the lease actually commences, or
- Sums expected to be paid by the lessee within the scope of residual value guarantees;
- In case of reasonable certainty that the purchase option will be used, if the exercise price and the lease term of this option indicate that the Group will use an option to terminate the lease, penalty payments regarding the termination of the lease.

In the comparative period, the Group classified leases to which all risks and benefits arising from owning an asset as a lessee are transferred, as financial leases. In this case, at the beginning of the lease contract of the leased asset, it accounts for the lower of the fair value or the present value of the minimum lease payments. Minimum lease payments are payments which must be made throughout the duration of the lease period, excluding conditional leases. After initial accounting, assets will be accounted for in accordance with the accounting policy applying to the asset concerned.

Leases where the risk and benefits in full arising from taking ownership of an asset are not transferred will be classified as operating leases and will not be accounted for on the financial statement. Lease payments made within the scope of operating lease are accounted for as expenses in the statement of profit or loss linearly throughout the lease term. Lease incentives received are recognised as an integral part of the total lease expense during the lease term.

(ii) As lessor

When in the position of lessor the Group will decide at the commencement of the lease period whether the lease is an operating lease or a financial lease.

In order to classify each lease, the Group will make a general assessment as to whether or not all risks and benefits associated with ownership of the asset forming the basis of the lease are transferred. If the risk and returns are assigned, the lease is a financial lease; if not, it is an operational lease. As a part of this assessment, the Group will consider factors such as whether an asset being leased for a short term comprises a large part of its economic life.

2.7.4 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.

2.7.5 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.

2.7.6 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.

2.7.7 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 2020, 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.

2.7.8 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.

2.7.9 Impairment of assets

Non-financial assets

In each reporting period the Group reviews the carrying values of non-financial assets (excluding agricultural assets, investment properties, stocks, contractual assets and deferred tax assets) to determine whether there are any signs of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. Goodwill shall be subject to an annual impairment test.

For the impairment test, assets are grouped according to the smallest asset group creating cash inflow, independent of continuous use, the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or CGU groups that are expected to benefit from the synergy of the combination.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. Its value in use depends on estimated future cash flows reduced to present values using the pre-tax discount rate that reflects the time value of money and current market values of risks peculiar to the asset or CGU.

If an asset or CGU's recoverable amount is lower than its carrying amount, the carrying amount of the asset or CGU in question comes down to the recoverable amount.

Impairment losses will be accounted for in profit or loss. First the carrying amount of any goodwill apportioned to the CGU will be reduced, then a reduction transaction will be carried out at the carrying amount rate of other assets in the CGU.

2.7.10 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 recognised for the amounts that arise from the Group'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.

2.7.11 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.

2.7.12 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.

2.7.13 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.

2.7.14 Earnings / (loss) per share

Earnings/ (losses) per share disclosed in the consolidated statement of profit or loss and other comprehensive income are determined by dividing net period profit/(loss) 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.

2.7.15 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.

2.7.16 Dividends

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

2.7.17 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.

2.7.18 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.

2.7.19 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.

2.7.20 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.

2.7.21 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.

2.7.22 Financial Instruments

(i) Accounting and initial measurement

The company records trade receivables and debt instruments on the date of occurrence. The Company recognises all other financial assets and liabilities only on the date of transaction when the relevant financial instrument is a party to the contractual conditions.

In the initial measurement of financial assets (other than trade receivables that do not have a significant financing component) and financial liabilities other than those whose fair value changes are reflected in profit or loss, transaction costs that can be directly associated with their acquisition or issue are also measured by being added to the fair value. Trade receivables that do not have a significant financing component are measured at initial accounting on the transaction price.

(ii) Classification and subsequent measurement

When first included in the financial statements, a financial instrument is classified in the specified way: those measured at amortised cost; those measured at fair value through other comprehensive income - investments in debt instruments, those measured at fair value through other comprehensive income - investments in equity instruments or those measured at fair value through profit or loss.

After the financial instruments are recognised for the first time, they are not reclassified unless the Company changes the operating model used for the management of financial assets.

Financial assets are not reclassified after initial recognition unless the Company changes its operating model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in operating model.

A financial asset is measured at amortised cost if both of the following conditions are met and it is not classified as measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not measured at amortised cost specified above or at fair value through other comprehensive income are measured at fair value through profit or loss. These include all derivative financial assets. When financial assets are included in the financial statements for the first time, the change in fair value of a financial asset is irreversibly recognisable as profit or loss, provided that it eliminates or significantly reduces any accounting inconsistency arising from the measurement of financial assets in a different way, and the related gains or losses are included in the financial statements differently.

Financial assets– Profit or loss arising from subsequent measurement

Financial instruments measured at fair value through profit and loss	These assets are measured at their fair value l at subsequent measurements. Net gains and losses, including any interest or dividend income, are accounted for in profit or loss.
Financial assets measured at amortised cost	These assets are measured at amortised cost using the interest method in effect at their subsequent measurements. Amortised costs are reduced by the amount of impairment losses, if any. Interest income, foreign currency gains and losses and impairments are accounted for in profit or loss. Gains or losses arising from these being omitted from statements of financial position are accounted for as profit or loss.
Equity instruments at fair value through other comprehensive income	These assets are measured at their fair value in subsequent periods. Dividends are recognised in profit or loss unless expressly recovering part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

Financial liabilities– Classification, subsequent measuring and profit and loss

Financial liabilities are classified as measured at amortised cost and at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it meets the definition of held for trading. A financial liability is classified as a financial liability held for trading if it is a derivative instrument or if it is defined in this way at the time of first registration. Financial liabilities at fair value reflected in profit or loss are measured at their fair value and net gains and losses, including interest expenses, are recognised in profit or loss. Other financial liabilities are measured by deducting impairment from the amortised cost values of future principal and interest cash flows at effective interest rates, following their initial recording. Interest expenses and exchange differences are recognised in profit or loss. Gains or losses arising from the derecognition of these liabilities are recognised in profit or loss.

(iii) Derecognition

Financial assets

When the contractual rights to cash flows related to financial assets expire or when the Company substantially transfers the ownership of all risks and returns arising from the ownership of this financial asset, or when the company has neither significantly transferred nor retains substantially all risks and benefits arising from the ownership of this financial asset, it derecognises the financial asset in question if it does not continue to have control over the financial asset.

In the event that the company continues to substantially retain all risks and benefits arising from the ownership of a financial asset, it continues to record the relevant financial asset in the statement of financial position.

Financial liabilities

The Company excludes a financial liability from the statement of financial position only when the liability for the relevant liability is removed or cancelled. In addition, in the event of a significant change in the conditions or cash flows of an existing financial liability, the Company deducts a financial liability from the statement of financial position. Instead, it requires a new financial liability to be recognised at fair value based on the modified terms. In derecognising a financial liability, the difference between the book value and the amount paid for this liability (including any non-cash assets transferred or any liability assumed) is recognised as profit or loss in the financial statements.

(iv) Offsetting financial assets and liabilities

The Company offsets its financial assets and liabilities and reports the net amount in the financial statements purely and simply when it has a legal right to offset the amounts and intends either to conduct the transaction on a net basis or to realise the asset and settle the liability simultaneously.

2.7.23 Going concern

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

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 2020 (Note 15). No impairment has been found.

2.8.2 Fair value measurements of investment property

As of 31 December 2020, 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.

2.8.3 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 UPS

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 2020	Cement	Ready-mixed Concrete	Waste management	Other	Elimination	Total
Revenue						
External Revenue	737.984	245.788	92.468	65.635	—	1.141.875
Intersegment revenue	87.807	—	4.254	23.528	(115.589)	—
Net sales	**825.791**	**245.788**	**96.722**	**89.163**	**(115.589)**	**1.141.875**
Cost of Sales	**(722.504)**	**(239.806)**	**(90.150)**	**(87.284)**	**108.758**	**(1.030.986)**
Gross Profit / (Loss)	**103.287**	**5.982**	**6.572**	**1.879**	**(6.831)**	**110.889**
Interest income	8.891	145	265	1	(2.599)	6.703
Interest expense	(9.839)	(3.999)	(3.747)	(53)	3.738	(13.900)
Depreciation and amortization expenses	37.678	18.433	18.881	126	(682)	74.436
Impairment	—	—	—	—	—	—
Investment property value appreciation	52.250	1.825	—	—	—	54.075
Profit/ (loss) on sale of fixed assets	885	124	(14.863)	(382)	—	(14.236)
Tax income / (expense)	3.412	3.328	(2.625)	(200)	1.108	5.023
Net profit / (loss) for the period	(4.673)	(13.306)	(38.150)	247	(528)	(56.410)
Segments assets	2.318.945	183.185	299.489	17.732	(1.029.193)	1.790.158
Acquisitions of tangible and intangible assets	25.687	3.374	3.885	9	—	32.955
Segment liabilities	413.874	152.569	231.623	15.503	(167.871)	645.698

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
Profit/ (loss) on sale of fixed 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

4. RELATED PARTY DISCLOSURES

4.1 Due from Related Parties

Short-term trade receivables from related parties as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Spartan Hive S.P.A. ("Spartan Hive") (*)	8.621	–
Yapıtek Yapı Teknolojisi Sanayi ve Ticaret A.Ş. ("Yapıtek")	7.245	25
Çimentaş Education and Health Foundation ("Çimentaş Foundation")	2	15
	15.868	**40**

(*) As of December 31, 2020, the Group's receivables consist of cement sales fees.
As of 31 December 2020, the average maturity of trade receivables from related parties was one month (31 December 2019: one month).

4.2 Other Short-Term Receivables from Related Parties

Short-term other receivables from related parties as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Aalborg Portland Espana	52	75
	52	**75**

4.3 Short-Term Trade Payables Due to Related Parties

Short-term trade payables due to related parties as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Cementir Holding (*)	26.314	22.777
Alborg Portland Digital S.R.L ("Aalborg Digital") (**)	8.133	–
Aalborg Portland A/S ("Aalborg") (***)	7.080	9.167
Aalborg Portland Holding (****)	2.094	–
Spartan Hive (*****)	2.057	–
Çimentaş Foundation	355	341
	46.033	**32.285**

(*) As of 31 December 2020, the Group owes Cementir Holding TL 26.314 thousand, which arise from EUR 2.921 thousand of brand usage and consultancy service fees (31 December 2019: TL 22.777 thousand, or EUR 3.425 thousand).

(**) As of 31 December 2020, the Group owes Aalborg Digital TL 8.133 thousand, which arise from EUR 903 thousand of IT consultancy service fees (31 December 2019: None).

(***) A TL 578 thousand portion of the payables due to Aalborg as of 31 December 2020 consisted of consultancy services, while the remaining TL 6.502 thousand portion was attributable to goods purchases (31 December 2019: TL 3.651 thousand and TL 5.516 thousand respectively).

(****) As of 31 December 2020, the Group owes Aalborg Portland Holding TL 2.094 thousand, which arise from EUR 233 thousand of consultancy service fees (31 December 2019: None).

(*****) As of 31 December 2020 the Group owes Spartan Hive 2.057 thousand TL, which arise from EUR 228 thousand in raw material purchases (31 December 2019: None).

The average payment period of short term trade payables to the related parties is 2 months (31 December 2019: 3 months). As of 31 December 2020 and 31 December 2019, there are no guarantees given to related parties for trade payables and there are no late payment invoices issued to the Group for trade payables to related parties.

4.4 Other Short-Term Trade Payables Due to Related Parties

As of 31 December 2020 and 2019, other short-term payables to the related parties are as follows:

	31 December 2020	31 December 2019
Aalborg Portland Holding (*)	80.594	61.430
Alfacem (**)	74.766	—
Cementir Holding	—	31
Yapıtek	—	3
	155.360	**61.464**

(*) The payable due as 31 December 2020 to Aalborg Portland Holding consists of the loan at the interest rate of 1,39% in the amount of GBP 8.105 thousand made to the Group by the said company.

(**) The payable due as 31 December 2020 to Alfacem consists of the loan maturing on 30 November 2021 at the interest rate of 2% 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 2.802 thousand and has been presented in financial expenses (Notes 4.8 and 26.2).

As of 31 December 2020 and 2019, there is no guarantee for other payables due to the related parties.

4.5 Other Long-Term Payables to Related Parties

None (31 December 2019: EUR 8.300 thousand amounting to 55.200 thousand TL in Alfacem loan).

4.6 Goods and Service Sales to Related Parties

As of 31 December 2020 and 2019, goods and service sales to related parties are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Spartan Hive	153.689	6.155
Yapıtek	580	247
Çimentaş Foundation	24	30
	154.293	**6.432**

(*) All of the related amount is due to cement and clinker sales made to Spartan Hive.

4.7 Goods and Service Purchases from Related Parties

As of 31 December 2020 and 2019, goods and service purchases from related parties are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Spartan Hive (*)	44.864	—
Cementir Holding (**)	13.613	25.305
Aalborg Portland Holding (***)	7.687	—
Aalborg (****)	6.795	5.057
Çimentaş Foundation	811	849
	73.770	**31.211**

(*) All of this amount derives from the raw material and spare parts purchases made from Spartan Hive.

(**) All of this amount derives from brand usage fees.

(***) All of this amount derives from consultancy service fees for 2020 on the basis of the service contract signed with Aalborg Portland Holding valid as of 1 January 2020.

(****) Of this amount, TL 2.121 thousand derives from the consultancy services for 2020 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 2020, the said consultancy services consist of technical assistance consultancy and investment relations, organization, management and internal auditing services.

4.8 Financial expenses from related parties

Financing expenses from related parties as of 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Alfacem ((Note 4.4)	2.802	2.393
Aalborg Portland Holding	1.148	1.170
	3.950	**3.563**

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 2020 and 2019:

	1 January- 31 December 2020	1 January- 31 December 2019
Short-term benefits for employees	13.506	11.567
	13.506	**11.567**

5. CASH AND CASH EQUIVALENTS

As of 31 December 2020 and 2019, cash and cash equivalents are detailed as follows:

	31 December 2020	31 December 2019
Cash on hand	44	42
Cash at banks	77.496	92.083
Demand deposits	35.463	5.644
Turkish Lira	4.342	3.584
Foreign currency	31.121	2.060
Time deposits	42.033	86.439
Turkish Lira	5.302	19.135
Foreign currency	36.731	67.304
Other liquid assets (*)	2.702	1.091
Cash and Cash Equivalents	**80.242**	**93.216**

(*) As of 31 December 2020 and 2019, original maturity of other ready assets consists of credit card receivables shorter than three months.

Maturity of time deposits is within one month (31 December 2019: Within one month). As of 31 December 2020, foreign currency deposits were USD 9.208 thousand, EUR 23 thousand and GBP 5 thousand (31 December 2019: USD 11.347 thousand, EUR 31 thousand and GBP 226 thousand).

As of 31 December 2020 and 2019, the weighted average yearly effective interest rates of the time deposits of the related currencies are as follows:

	31 December 020	31 December 2019
TL time deposits	%14,29	%9,14
USD time deposits	%3,50	%1

As of 31 December 2020, the Group did not have any compensating deposit balance (31 December 2019: 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 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Short term bank borrowings		
Current portion of liabilities from lease transactions	19.580	4.676
Total short term financial borrowings	**19.580**	**4.676**
Long term financial borrowings:		
Long-term portion of liabilities from lease transactions	8.522	5.228
Total long term financial borrowings	**8.522**	**5.228**
Total financial debt	**28.102**	**9.904**

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

	31 December 2020	31 December 2019
Less than 3 months to maturity	5.063	1.212
3-12 months to maturity	14.517	3.464
1 - 2 years to maturity	6.691	2.959
2 - 5 years to maturity	1.831	2.269
	28.102	**9.904**

The weighted average of the Group's incremental borrowing rates applied to lease liabilities as of 31 December 2020 are 14,02% for that denominated in TL, 3,99% for that denominated in EUR and 2,16% for that denominated in GBP (31 December 2019: TL: 18,44%, EUR: 4%, GBP: 2,20%).

7. TRADE RECEIVABLES AND PAYABLES

7.1 Short-Term Trade Receivables

As of 31 December 2020 and 2019, short-term trade receivables are as follows:

	31 December 2020	31 December 2019
Accounts receivable	248.622	194.633
Notes and cheques receivables	94.460	86.820
	343.082	**281.453**
Less: Provision for doubtful trade receivables	(14.147)	(14.484)
	328.935	**266.969**

The trade receivables collection period, while varying according to product type and contracts made with customers, averages three months (31 December 2019: 3 months).

Maturities for short-term trade receivables from non-related parties as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Overdue receivables	38.167	67.741
0 - 30 day maturity	100.577	78.968
31 - 60 day maturity	95.598	59.682
61 - 90 day maturity	68.721	48.222
91 days and over	25.872	12.356
Total	**328.935**	**266.969**

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 2020	31 December 2019
Beginning of the period	**14.484**	**10.344**
Doubtful receivables for the period (Note 24.2)	94	4.319
Doubtful receivables received for the period (Note 24.1)	(645)	(85)
Doubtful receivables written-off for the period	—	(152)
Translation difference	214	58
End of the period	**14.147**	**14.484**

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 2020, short-term trade payables to non-related parties is TL 255.987 thousand (31 December 2019: TL 194.632 thousand) due to various suppliers.

The average payment period of short term trade payables is 75 days (31 December 2019: 90 days).

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 2020 and 2019, other long-term receivables from third parties are as follows:

	31 December 2020	31 December 2019
Receivables from public institutions	2.043	3.573
Deposits and guarantees given	110	127
Receivables from insurance company	—	1.105
Other	2.784	3.393
	4.937	**8.198**

8.2 Other Long-Term Receivables from Third Parties

As of 31 December 2020 and 2019, other long-term receivables from third parties are as follows:

	31 December 2020	31 December 2019
Deposits and guarantees given	870	757
	870	**757**

8.3 Other Short-Term Payables to Third Parties

As of 31 December 2020 and 2019, other short-term payables to third parties are as follows:

	31 December 2020	31 December 2019
Deposits and guarantees received(*)	3.679	757
Other	127	148
	3.806	**905**

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

9. INVENTORIES

As of 31 December 2020 and 2019, details of inventories are as follows:

	31 December 2020	31 December 2019
Raw materials	97.654	91.343
- Spare parts and operating supplies	*55.177*	*62.888*
- Fuel	*24.561*	*17.494*
- Packaging materials	*1.278*	*1.565*
- Other	*16.638*	*9.396*
Work in process	19.089	29.606
Finished goods	5.657	5.242
Trade goods	756	1.369
Goods in transit	951	10.047
	124.107	**137.607**

As of 31 December 2020, 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 489.427 thousand (31 December 2019: TL 374.636 thousand) (Note 23).

As of 31 December 2020, there is no impairment on the inventories (31 December 2019: None).

As of 31 December 2020, there is no mortgage/pledge on the inventories (31 December 2019: None).

10. PREPAID EXPENSES AND DEFERRED INCOME

10.1 Short-Term Prepaid Expenses

As of 31 December 2020 and 2019, short-term prepaid expenses are as follows:

	31 December 2020	31 December 2019
Job advances given	5.685	4.372
Prepaid Expenses	4.441	6.644
Other	814	516
	10.940	**11.532**

Prepaid expenses comprised prepaid insurance and rent expenses.

10.2 Long Term Prepaid Expenses

As of 31 December 2020, the long term pre-paid expenses are TL 29 thousand (31 December 2019: TL 65 thousand).

10.3 Short Term Deferred Income

As of 31 December 2020 and 2019, short-term deferred income are as follows:

	31 December 2020	31 December 2019
Advance payments for orders received	9.566	3.309
Other	150	308
	9.716	**3.617**

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 are as follows:

	2020	2019
1 January	**410.260**	**369.750**
Changes in fair value (Note 25.1)	54.075	40.510
Real estate sold	(6.300)	—
31 December	**458.035**	**410.260**

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 2020 and 2019, fair values of the investment properties are as follows:

	31 December 2020	31 December 2019
Land	434.840	390.105
Buildings	23.195	20.155
	458.035	**410.260**

As of 31 December 2020, there were no mortgages on the investment properties (31 December 2019: None).

Fair value hierarchy

On 31 December 2020, 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 458.035 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 quarry assets and other tangible assets and their carrying amounts are as follows:

	31 December 2020	31 December 2019
Quarry assets	41.438	36.643
Other tangible assets	422.542	455.647
	463.980	**492.290**

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 2020 and 2019 are as follows:

	1 January 2020	Additions	Transfer	Foreign Currency Translation Differences	31 December 2020
Cost of rehabilitation of mining areas	105.038	5.226	—	24.644	134.908
Accumulated depreciation	(68.395)	(9.042)	—	(16.033)	(93.470)
	36.643				**41.438**

	1 January 2020	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**

12.2 Other tangible assets

Movements in property, plant and equipment for the year ended 31 December 2020 are as follows:

	1 January 2020	Additions	Disposals	Impairment	Transfers*	Foreign Currency Translation Differences	31 December 2020
Cost:							
Land	84.810	—	—	—	—	—	84.810
Land improvements	84.821	119	(4.789)	—	2.373	—	82.524
Buildings	173.033	—	(4.943)	—	2.216	2.320	172.626
Machinery, installations, and devices	1.171.949	206	(101.264)	—	27.579	17.371	1.115.841
Motor vehicles	18.451	89	(4.032)	—	1.077	44	15.629
Furniture and fixturess	39.651	1.181	(1.577)	—	243	1.140	40.638
Other intangible assets	3.393	—	—	—	—	—	3.393
Leasehold improvements	28.195	—	(22.012)	—	1.391	—	7.574
Construction in progress	7.402	31.336	(435)	—	(35.647)	—	2.656
Total Cost	**1.611.705**	**32.931**	**(139.052)**	**—**	**(768)**	**20.875**	**1.525.691**
Accumulated depreciation and impairment:							
Land improvements	(63.848)	(1.852)	2.618	—	—	—	(63.082))
Buildings	(96.202)	(3.375)	3.037	—	—	(2.257)	(98.797)
Machinery, installations, and devices	(926.079)	(39.437)	93.004	—	—	(10.802)	(883.314)
Motor vehicles	(14.328)	(918)	1.923	—	—	(36)	(13.359)
Furniture and fixtures	(33.998)	(1.864)	1.427	—	—	(1.059)	(35.494)
Other intangible assets	(3.393)	—	—	—	—	—	(3.393)
Leasehold improvements	(18.210)	(634)	13.134	—	—	—	(5.710)
Total accumulated depreciation and impairment	**(1.156.058)**	**(48.080)**	**115.143**	**—**	**—**	**(14.154)**	**(1.103.149)**
Net book value	**455.647**						**422.542**

(*) Investments in progress amounting to TL 768 thousand were classified under intangible fixed assets as of 31 December 2020.

As of 31 December 2020, there were no charges such as mortgages or pledges on fixed tangible assets (31 December 2019: None).

As of 31 December 2020, there was no capitalized borrowing cost on the tangible assets (31 December 2019: None).

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**

(*) Investments in progress amounting to TL 172 thousand were 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).

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

	1 January – 31 December 2020	1 January – 31 December 2019
Cost of Sales	68.297	56.542
General administrative expenses (Note 22.1)	5.334	6.493
Marketing expenses (Note 22.2)	805	720
Inventories	1.171	2.444
Total	**75.607**	**66.199**

13. RIGHT OF USE ASSETS

The right of use assets movement table for the year ending 31 December 2020 is as follows:

	1 January 2020	Additions	Disposals	Foreign Currency Translation Differences	31 December 2020
Cost:					
Land	607	85	—	—	692
Buildings	2.017	—	—	562	2.579
Machinery, installations, and devices	1.266	2.668	—	103	4.037
Vehicles	8.935	37.341	(8.956)	59	37.379
Total Cost	**12.825**	**40.094**	**(8.956)**	**724**	**44.687**
Accumulated depreciation:					
Land	(145)	(173)	—	—	(318)
Buildings	(476)	(550)	—	(192)	(1.218)
Machinery, installations, and devices	(161)	(749)	—	(40)	(950)
Vehicles	(2.994)	(16.404)	3.592	(16)	(15.822)
Total accumulated depreciation	**(3.776)**	**(17.876)**	**3.592**	**(248)**	**(18.308)**
Net book value	**9.049**				**26.379**

The distribution of amortisation expenses of right of use assets has been presented in Note 12.2.

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

	1 January 2019	Additions	Disposals	Foreign Currency Translation	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:					
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**

14. INTANGIBLE ASSETS

For the year ended on 31 December 2020, changes in the intangible assets are as follows:

	1 January 2020	Additions	Disposals	Transfers(*)	Foreign currency translation differences	31 December 2020
Cost:						
Rights	7.364	—	(10)	—	—	7.354
Kömürcüoda agreement	28.061	—	(28.061)	—	—	—
Other intangible assets	29.630	24	(51)	768	4.830	35.201
Total Cost	**65.055**	**24**	**(28.122)**	**768**	**4.830**	**42.555**
Accumulated amortization and impairment:						
Rights	(2.700)	(67)	10	—	—	(2.757)
Kömürcüoda agreement	(28.061)	—	28.061	—	—	—
Other intangible assets	(28.971)	(542)	51	—	(4.830)	(34.292)
Total accumulated amortization and impairment	**(59.732)**	**(609)**	**28.122**		**(4.830)**	**(37.049)**
Net book value	**5.323**					**5.506**

(*) Intangible fixed assets amounting to TL 768 thousand were classified as investments in progress as of 31 December 2020.

For the year ended on 31 December 2019, changes in the intangible assets are as follows:

	1 January 2019	Additions	Disposals	Transfers(*)	Foreign currency translation	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 investments in progress as of 31 December 2019.

15. GOODWILL

As of 31 December 2020 and 2019, goodwill comprises the follows:

	31 December 2020	31 December 2019
Goodwill from acquisition of Lalapaşa	138.665	138.665
Goodwill from acquisition of NWM Holding	26.769	20.935
Goodwill from acquisition of Sureko	21.691	21.691
Goodwill from acquisition of Elazığ Çimento	13.506	13.506
	200.631	**194.797**

(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 2020.

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 between the 14% and 23% range (2019: 25% to 28%) and in the Weighted Average Cost of Capital value, accepted as 17,70% (2019: 15,50%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2021 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2020, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 54.677 thousand. For the forecast recoverable amount to equal the carrying amount, if the discount rate from among the assumptions employed is increased by 2,3% 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 2,4% 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 in TAS 38 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 2020.

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 between the 0,6% and 15% range (2019: 3% to 17%) and in the Weighted Average Cost of Capital value, accepted as 17,70% (2019: 15,50%).

b) The EBITDA/Net Sales ratio is compliant with the Company's budget for 2021 and beyond, whereas Weighted Average Cost of Capital ratio depends on macroeconomic and certain recycling industry variables.

As of 31 December 2020, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 8.964 thousand. For the forecast recoverable amount to equal the carrying amount, if the discount rate from among the assumptions employed is increased by 0,6% 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 0,4% from the values used in assumptions with the other variables kept constant.

(iii) Acquisition of Süreko

On 1 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 recognised 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 2020.

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 between the 16% and 20% range (2019: 8% to 24%) and in the Weighted Average Cost of Capital value, accepted as 15,80% (2019: 15,00%).

b) While the EBITDA/net sales ratio complies with the budgets that the Company has prepared for 2021 and afterwards, the Weighted Average Cost of Capital is dependent on certain macroeconomic and waste sector-related variables.

As of 31 December 2020, the estimated recoverable amount of the CGU exceeds its carrying amount by TL 4.316 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 fas as 1,3% 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 2020. 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 between the 6% and 11% range (2019: 9% to 10%) and in the Weighted Average Cost of Capital value, accepted as 5,30% (2019: 6,80%).

b) While the EBITDA/net sales ratio complies with the budgets that the Company has prepared for 2021 and afterwards, the Weighted Average Cost of Capital is dependent on certain macroeconomic and waste sector-related variables.

As of 31 December 2020, the estimated recoverable amount of the CGU exceeds its carrying amount by GBP 2.673 thousand. When a 1,9% 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 the carrying amount when the EBITDA / net sales ratio is reduced as fas as 1,3% 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 2020 and 2019, details of the guarantees given are as follows:

	31 December 2020	31 December 2019
Letters of guarantee	64.449	47.947
Guarantees given through the direct debit system ("DBS")	29.810	19.046
	94.259	**66.993**

(*) The total limit as of 31 December 2020 of guarantees the Group gives vendors through the DBS is TL 45.530 thousand and the balance in question in the statement constitutes the amount outstanding to suppliers as of the current period (31 December 2019: TL 45.200 thousand).

The Group's position related to letters of guarantee given, pledges and mortgages («GPM») as of 31 December 2020 and 2019, is as follows:

	31 December 2020				31 December 2019			
	TL Equivalent	TL	USD	GBP	TL Equivalent	TL	USD	GBP
A The total amount of GPMs issued on its own corporate behalf	92.686	70.859	1.100	1.383	64.269	51.732	300	1.383
B The total number of GPMs issued in favour of fully consolidated partners included in full consolidation scope amount	1.573	1.573	—	—	2.724	2.724	—	—
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 GPMs issued in favour of other group companies that do not fall under items of B and C	—	—	—	—	—	—	—	—
- Total amount of GPMs issued in favour of 3rd parties that do not fall under item C	—	—	—	—	—	—	—	—
	94.259	**72.432**	**1.100**	**1.383**	**66.993**	**54.456**	**300**	**1.383**

The ratio of other GPMs issued to the total equity of the Group as of 31 December 2020 was 0,0% (31 December 2019: %0,0).

b) Sureties Received

As of 31 December 2020 and 2019, the details of the sureties received are as follows:

	31 December 2020	31 December 2019
Sureties Received	2.735	1.335
	2.735	**1.335**

c) Sureties Given

None (31 December 2019: None).

d) Guarantees Received

As of 31 December 2020 and 2019, details of guarantees received are as follows:

	31 December 2020	31 December 2019
Letters of guarantee	262.429	204.449
Collateral received through inventory financing	45.195	36.963
Mortgages	33.303	35.736
Guarantee notes	12.686	10.711
Pledges	5.384	3.374
Sureties	2.735	1.335
Collateral cheques	288	3.688
Letters of credit	126	6.749
	362.146	**303.005**

16.2 Important Lawsuits

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

Edirne / Keşan ilçesi sınırlarında maden arama ruhsatına sahip Batı Madencilik, aynı bölgede Grup'a ait olan maden 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 the Group'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 2020 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 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 appeal request was rejected, and an application was made to the Council of State for a corrective decision overturning this. Corrective decision proceedings are still ongoing.

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. The appeal filed by the Competition Board against the Administrative Court decision regarding the reduction of the penalty from 3% to 2% has been accepted. Although our appeal request was accepted on the basis of the decision to overturn the reduction of the aforementioned penalty to 2%, the file was sent to the Administrative Court for a new ruling in light of the new situation created in the framework of Council of State decisions. The case continues. In the meantime, an application was made for the refund of the payment of TL 1.451 thousand previously made, and the Competition Board incurred an administrative fine of TL 2.903 thousand, based on the decision of the Council of State. Based on this situation, the Group made a provision of TL 1.452 thousand in the consolidated financial statements as of 31 December 2020.

- 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 Çimentaş is associated in terms of management, audit and capital. Accordingly, it was ruled to notify Çimentaş 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 Çimentaş 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 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. Our appeal request has been rejected and an appeal has been filed with the Council of State against this decision. The appeal process is ongoing.

16.3 Other Provisions

i) Other Short-Term Provisions

Other short-term provisions as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Provisions for litigation, claims and penalties	26.441	22.617
State limestone usage fee	4.780	3.533
Other	1.684	776
	32.905	**26.926**

As of 31 December 2020 and 2019, changes of the provision for lawsuits and fines are as follows:

	2020	2019
1 January	**22.617**	**22.932**
Provisions for the current year	3.735	3.345
Payment for litigation, claims and penalties	(426)	(1.997)
Amount of provisions reversed in the period (Note 24.1)	(135)	(2.000)
Foreign currency translation difference	650	337
31 December	**26.441**	**22.617**

ii) Other long-term provisions

As of 31 December 2020 and 2019, long term provisions are as follows:

	31 December 2020	31 December 2019
Provision for environmental rehabilitation, improvement and closure of the mine sites	37.852	31.308
	37.852	**31.308**

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

	2020	2019
Beginning of the period	**31.308**	**27.703**
Increase throughout the period	1.692	249
Paid during period	—	(244)
Unwinding of discount effect of discount recognized as expense (Note 26.2)	346	1.144
Effect of translation differences	4.506	2.456
End of the period	**37.852**	**31.308**

17. COMMITMENTS

a) Purchase commitments

As of 31 December 2020, the Group has committed to purchases amounting to USD 5.798 thousand of 89 thousand tonnes of coal that will take place in 2020 (31 December 2019: 69 thousand tonnes, USD 3.920 thousand).

b) Sales commitments

None (31 December 2019: 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 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Payables for social security and tax withholdings	6.034	4.390
Salary payables	1.170	1.130
Other	351	112
	7.555	**5.632**

18.2 Short-Term Provisions Related to Employee Benefits

Short-term provisions related to employee benefits as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Personnel premium provisions	5.117	726
Unused vacation provision	2.992	1.948
	8.109	**2.674**

18.3 Long-Term Provisions Related to Employee Benefits

Long-term provisions related to employee benefits as of 31 December 2020 and 2019, are as follows:

	31 December 2020	31 December 2019
Provision for severance payment	26.932	24.933
	26.932	**24.933**

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 amount payable consists of one month's gross salary for each year of service and is limited to TL 7.117 per year as of 31 December 2020 (31 December 2019: TL 6.380 per year).

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 2020	31 December 2019
Discount rate	%3,95	%4,41
Probability of turnover without receiving severance	%4,51	%4,00

The changes of employee severance as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Beginning of the period	**24.933**	**22.082**
Interest cost (Note 26.2)	1.088	1.246
Service cost (Notes 22.1 and 23)	2.630	2.247
Payments made during the period	(3.350)	(6.264)
Actuarial loss	1.631	5.622
End of the period	**26.932**	**24.933**

The interest expense, service expense and actuarial difference amounted to TL 5.349 thousand (2019: TL 9.115 thousand). The interest expense of TL 1.088 thousand is included in financial expenses (31 December 2019: TL 1.246 thousand) and the service cost of TL 2.630 thousand is included in general administrative expenses (31 December 2019: TL 2.247 thousand). As of 31 December 2020, the actuarial difference amounting to TL 1.631 thousand (31 December 2019: TL 5.622 thousand) is reported under other comprehensive income/expense.

19. OTHER ASSETS AND LIABILITIES

19.1 Other Current Assets

As of 31 December 2020 and 2019, other current assets are as follows:

	31 December 2020	31 December 2019
Value Added Tax ("VAT") Receivables	9.635	11.254
	9.635	**11.254**

19.2 Other Non-Current Assets

As of 31 December 2020 and 2019, other non-current assets are as follows:

	31 December 2020	31 December 2019
VAT receivables	32.877	35.382
Other	333	333
	33.210	**35.715**

19.3 Other Short-Term Liabilities

Other short-term liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Taxes and funds payable	6.011	11.123
	6.011	**11.123**

20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-up capital and differences of capital adjustment

As of 31 December 2020, the Company's issued capital is TL 87.112 thousand made up of 87.112.463 shares with a nominal lot value of 1 Turkish lira each (31 December 2019: Issued capital TL 87.112 thousand consisting of 87.112.463 shares with a nominal lot value of 1 Turkish lira each).

The shareholding structure of the Group is as follows:

	31 December 2020		31 December 2019	
	Shareholding (%) Rate (%)	Amount Of Share Thousand TL	Shareholding (%) Rate (%)	Amount Of Share Thousand TL
Aalborg Portland Espana	97,10	84.586	97,80	85.198
Other/Public share	2,90	2.526	2,20	1.914
Paid-in capital	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 2019: 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 2019: 520.256).

Share Premiums / Discounts

The share premium of TL 161.554 thousand (31 December 2019: 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 2020, 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 2020, the Group posted TL 100.604 thousand (31 December 2019: TL 100.958 thousand) of tangible fixed asset revaluation increase, TL 20.167 thousand (31 December 2019: TL 19.199 thousand) of revaluation measurement losses from defined benefit plans, and TL 577 thousand (31 December 2019: 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. Although the mandatory 5-year period for keeping in an account restricted reserves allocated from profit expired in 2017, 2019 and 2020 respectively for the sums of TL 14.310 classified in 2012, TL 2.812 classified in 2014 and TL 11.175 classified in 2015, because no decision has been taken by the Company's Board of Directors, these amounts continue to appear in the account for restricted reserves allocated from profit within the relevant legislative framework. Furthermore, the Group has classified TL 62 thousand, 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 2020 and 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
Domestic sales	957.858	743.622
Export sales	197.383	81.651
Gross sales	**1.155.241**	**825.273**
Less: discounts	(13.366)	(11.998)
Net sales	**1.141.875**	**813.275**
Cost of Sales	(1.030.986)	(794.964)
Gross profit	**110.889**	**18.311**

22. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

22.1 General Administrative Expenses

General administrative expenses for the years ending on 31 December 2020 and 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
Personnel expenses	50.227	39.198
Consultancy expenses	30.338	33.079
Outsourced benefits and services	15.948	12.790
Taxes, levies and charges	9.657	7.522
Depreciation and amortization (Note 12.2)	5.334	6.493
Insurance expenses	2.785	2.369
Severance payment expenses (Notes 18.3 and 23)	2.630	2.247
Lightening and water expenses	2.353	2.489
Travel expenses	569	1.422
Other	13.686	12.065
	133.527	**119.674**

22.2 Marketing Expenses

Financing expenses for the years ending on 31 December 2020 and 2019 are as follows:

	1 January-31 December 2020	1 January-31 December 2019
Loading and freight expenses	30.793	15.729
Personnel expenses	5.012	5.118
Marketing service expenses	3.795	2.807
Depreciation and amortization (Note 12.2)	805	720
Other	738	1.385
	41.143	**25.759**

23. EXPENSES BY NATURE

For the years ending on 31 December 2020 and 2019, distribution of expenses by nature are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Raw material, work in process and finished goods costs (Note 9)	489.427	374.636
Electricity and water expenses	235.570	156.903
Personnel expenses	129.023	109.775
Outsourced benefits and services	100.827	91.361
Depreciation and amortization (Note 12.2)	74.436	63.755
Loading and freight expenses	70.141	47.243
Consultancy expenses	30.338	33.079
Taxes, levies and charges	19.451	14.591
Maintenance and repair costs	18.998	15.133
Severance payment expenses (Notes 18.3 and 22.1)	2.630	2.247
Other	34.815	31.674
	1.205.656	**940.397**

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 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Late payment interest	5.354	8.235
Foreign exchange gain from operating activities	4.712	4.787
Gain on sale of scrap materials	741	2.927
Rental income	680	819
Reversed provisions for doubtful receivables (Note 7.1)	645	85
Insurance income	473	111
Lawsuit provisions no longer required (Note 16.3)	135	2.000
Other (*)	2.527	1.127
	15.267	**20.091**

(*) As of 31 December 2020, TL 809 thousand portion of the relevant amount consists of the provision amount erased due to lower payment being made in relation to the provision amount to which the State is entitled which was allocated in 2019.

24.2 Other Expenses from Operating Activities

Other expenses from operating activities for the years ending on 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange losses from operating activities	16.875	12.492
Expenses for penalty, compensation and legal proceedings	6.938	3.885
Excavation expense	393	494
Late payment expense	330	24
Provision for doubtful receivable expenses (Note 7.1	94	4.319
Impairment of advances paid	—	1.272
Other	3.710	2.626
	28.340	**25.112**

25. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

25.1 Income From Investing Activities

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

	1 January- 31 December 2020	1 January- 31 December 2019
Investment properties value increase gain (Note 11)	54.075	40.510
Gain on sale of non-current assets	1.811	504
	55.886	**41.014**

25.2 Expenses from Investing Activities

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

	1 January- 31 December 2020	1 January- 31 December 2019
Loss on sale of non-current assets (*)	16.047	—
Impairment loss on tangible long-term assets (Note 12.2)	—	18.769
	16.047	**18.769**

(*) A TL 15.182 thousand portion of the fixed asset sales loss consists of the fixed asset and spare parts sales losses of Recydia's Istanbul Hereko Branch.

26. FINANCIAL INCOME AND EXPENSES

26.1 Financial Income

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

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gains	13.883	16.272
Interest income	6.703	3.496
	20.586	**19.768**

26.2 Financial Expenses

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

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange expense	29.395	14.027
Bank loans interest expenses	4.982	—
Interest expense from related entities (Note 4.8)	3.950	3.563
Interest expense on leasing transactions	3.534	703
Bank commission expenses	1.703	1.202
Actuarial interest expense (Note 18.3)	1.088	1.246
Effect of discount from reclamation of mine sites and provision for closure of mine sites (Note 16.3)	346	1.144
Other	6	69
	45.004	**21.954**

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

Prepaid corporate tax and corporation tax provision as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Current period corporation tax provision	5.197	7.007
Deduction: Prepaid corporation tax	(5.065)	(5.496)
Tax provision for the current period - net	**132**	**1.511**

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 020	1 January- 31 December 2019
Period income tax liability	383	2.021
Prepaid income tax	(251)	(510)
	132	**1.511**

Tax income / (expenses) reported in the income statement for the years ending on 31 December 2020 and 2019 are as follows:

	1 January- 31 December 020	1 January- 31 December 2019
Current period corporation tax	(5.197)	(7.007)
Deferred tax income	10.220	15.247
Total tax income	**5.023**	**8.240**

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:

	2020	2019
Pre-tax loss	**(61.433)**	**(112.084)**
Tax computed at the parent company's tax rate on loss before tax	13.515	24.658
Non-deductible expenses	(3.879)	(5.807)
Losses not recognized as deferred tax	(17.975)	(15.359)
Effect of change in tax rate	(1.991)	—
Tax exempt income	1.103	614
Tax effect of fair value gain	6.489	4.861
Permanent differences	7.273	—
Other	488	(727)
Total tax income	**5.023**	**8.240**

Breakdowns of the tax assets and liabilities as of 31 December 2020 and 2019 calculated based on the current tax rates are as follows:

	Deferred Tax Assets		Deferred Tax Liabilities	
	2020	2019	2020	2019
Deductible financial losses	51.936	41.738	—	—
Debt provisions	7.858	6.327	—	—
Provision for severance payment	5.386	4.987	—	—
Provision for rehabilitation and closure of the mine sites	3.537	2.963	—	—
Tangible and intangible assets	1.655	—	—	(2.075)
Provision for advances paid and doubtful receivables	700	675	—	—
Investment properties	—	—	(43.998)	(39.186)
Goodwill amortization in statutory books	—	—	(27.488)	(27.488)
Other assets and liabilities	18	—	—	(361)
Total deferred tax Asset / (liability)	71.090	56.690	(71.486)	(69.110)
Offset amount	(44.539)	(33.753)	44.539	33.753
Total deferred tax asset / (liability)	**26.551**	**22.937**	**(26.947)**	**(35.357)**

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 2019: 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 2019: 22%) and declare and pay it by the evening of the seventeenth day of the second month following that period. 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 2020 are as follows:

	1 January 2020	Current period deferred tax income/(expense)	The part recognized in comprehensive income	31 December 2020
Deductible financial losses	41.738	10.198	—	51.936
Debt provisions	6.327	1.531	—	7.858
Provision for severance payment	4.987	73	326	5.386
Provision for rehabilitation and closure of the mine sites	2.963	574	—	3.537
Tangible and intangible assets	(2.075)	2.252	1.478	1.655
Provision for advances paid and doubtful receivables	675	25	—	700
Investment properties	(39.186)	(4.812)	—	(43.998)
Goodwill amortization in statutory books	(27.488)	—	—	(27.488)
Other assets and liabilities	(361)	379	—	18
Deferred tax assets / (liabilities)	**(12.420)**	**10.220**	**1.804**	**(396)**

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
Deductible financial 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
Tangible and intangible assets	(4.001)	1.196	730	(2.075)
Provision for advances paid 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)
Other assets and liabilities	793	(1.154)	—	(361)
Deferred tax assets / (liabilities)	**(29.521)**	**15.247**	**1.854**	**(12.420)**

As of 31 December 2020, the Group calculated TL 51.936 thousand (31 December 2019: TL 41.738 thousand) of deferred taxes based on the financial losses of previous years in the amount of TL 259.858 thousand (31 December 2019: TL 210.416 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	2020	2019
2021	209	209
2022	8.941	5.495
2023	33.140	36.450
2024	143.851	156.372
2025	70.181	—
	256.322	**198.526**

* 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 as of 31 December 2020 for Quercia and NWM, the Group's subsidiaries operating in England, in the amounts of TL 2.500 thousand and TL 1.036 thousand (2019: TL 10.250 thousand and TL 1.640 thousand), respectively, on which deferred taxes were calculated.

As of 31 December 2020, the breakdown of the financial losses of previous years not used in calculation of the deferred tax asset:

Year of financial loss	2020	2019
2015	—	29.829
2016	50.251	50.251
2017	53.860	57.306
2018	28.988	25.678
2019	24.867	13.074
2020	64.229	—
	222.195	**176.138**

(*) Losses carried forward were not included in the deferred tax asset calculation as of 31 December 2020 of the Group's subsidiaries operating in the UK, Quercia and NWM, in the amount of TL 73.507 thousand and TL 1.644 thousand respectively were not shown in the above table (2019: TL 48.702 thousand and TL 2.808 thousand).

28. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the accounting periods ending on 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
Net period (loss) / income of parent company	**(35.250)**	**(82.756)**
Weighted average number 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)	**(0,4071)**	**(0,9557)**

(*) 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 Çimentaş 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 has established a Committee for Early Risk Detection responsible for improving and monitoring the risk management policies of the Group. 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 2020**	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposits at Banks**	**Derivative Instruments**	**Other**
Maximum credit risk to be exposed to as of the reporting date (A+B+C+D)	**15.868**	**328.935**	**52**	**5.807**	**77.496**	**—**	**—**
- Part of the maximum credit risk, secured by guarantee, etc.	—	223.341	—	—	—	—	—
A. Net carrying amounts of financial assets that are not overdue nor impaired	15.868	290.768	52	5.807	77.496	—	—
B. Net carrying amount of financial assets that are overdue but not impaired	—	38.167	—	—	—	—	—
C. Net carrying amount of the impaired assets	—	—	—	—	—	—	—
- Overdue (gross carrying amount)	—	14.147	—	—	—	—	—
- Impairment (-)	—	(14.147)	—	—	—	—	—
- 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				
Prior Period **31 December 2019**	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposits at Banks**	**Derivative Instruments**	**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	—	—	—	—	—	—	—

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:

Current Period 31 December 2020	Receivables				
	Trade Receivables	Other Receivables	Deposits at Banks	Derivative Instruments	Other
Past due 1-30 days	24.263	—	—	—	—
Past due 1-3 months	5.991	—	—	—	—
Past due 3-12 months	3.788	—	—	—	—
Past due 1-5 years	3.861	—	—	—	—
Past due more than 5 years	264	—	—	—	—
	38.167	**—**	**—**	**—**	**—**

Current Period 31 December 2019	Receivables				
	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	—	—	—	—
Vadesi üzerinden 1 - 5 yıl geçmiş	5.966	—	—	—	—
Past due more than 5 years	323	—	—	—	—
	67.741	**—**	**—**	**—**	**—**

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 2020 and 2019 were as follows:

31 December 2020 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	28.102	31.737	5.953	16.279	9.505	—
Trade Payables	302.020	303.766	299.456	4.310	—	—
Other Payables(*)	155.487	156.874	81.095	75.779	—	—
Total	**485.609**	**492.377**	**386.504**	**96.368**	**9.505**	**—**

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

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.

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 2020					31 December 2019				
	TL Equivalent	USD	Euro	GBP*	Other	TL Equivalent	USD	Euro	GBP*	Other
1. Trade Receivables	8.632	1.176	—	—	—	6.308	1.062	—	—	—
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	67.852	9.208	29	—	—	67.682	11.347	42	—	—
2b. Non-Monetary Financial Assets	—	—	—	—	—	—	—	—	—	—
3. Other	—	—	—	—	—	—	—	—	—	—
4. Current Assets (1+2+3)	**76.484**	**10.384**	**29**	**—**	**—**	**73.990**	**12.409**	**42**	**—**	**—**
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)	**76.484**	**10.384**	**29**	**—**	**—**	**73.990**	**12.409**	**42**	**—**	**—**
10. Trade Payables	103.081	6.870	5.844	1	—	75.078	6.145	5.799	1	—
11. Financial Liabilities	76.342	--	8.475	--	--	2.707	--	407	--	--
12a. Other Monetary Liabilities	—	—	—	—	—	33	—	5	—	—
12b. Other Non-Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
13. Short Term Liabilities (10+11+12)	**179.423**	**6.870**	**14.319**	**1**	**—**	**77.818**	**6.145**	**6.211**	**1**	**—**
14. Trade Payables	—	—	—	—	—	—	—	—	—	—
15. Financial Liabilities	—	—	—	—	--	56.370	--	8.476	--	--
16a. Other Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
16b. Other Non-Monetary Liabilities	—	—	—	—	—	—	—	—	—	—
17. Long Term Liabilities (14+15+16)	**—**	**—**	**—**	**—**	**—**	**56.370**	**—**	**8.476**	**—**	**—**
18. Total Liabilities (13+17)	**179.423**	**6.870**	**14.319**	**1**	**—**	**134.188**	**6.145**	**14.687**	**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)	**(102.939)**	**3.514**	**(14.290)**	**(1)**	**—**	**(60.198)**	**6.264**	**(14.645)**	**(1)**	**—**
21. Net Foreign Currency Asset / (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(102.939)**	**3.514**	**(14.290)**	**(1)**	**—**	**(60.198)**	**6.264**	**(14.645)**	**(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 2020

	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	2.579	(2.579)	—	—
2- USD risk hedged (-)	—	—	—	—
3- USD net effect (1+2)	**2.579**	**(2.579)**	**—**	**—**
Assumption of devaluation/appreciation by 10% of EUR against TL				
4- Net asset / liability of EURO	(12.872)	12.872	—	—
5- EURO risk hedged (-)	—	—	—	—
6- Euro net effect (4+5)	**(12.872)**	**12.872**	**—**	**—**
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)	**(10.294)**	**10.294**	**—**	**—**

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**	**—**	**—**

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.

	2020	2019
Financial instruments with fixed interest rate		
Financial assets	42.033	86.439
Financial liabilities	102.868	65.104
Financial instruments with floating interest rate		
Financial assets	—	—
Financial liabilities	80.594	61.430

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 (including other financing debt).

	31 December 2020	31 December 2019
Total financial debt (Notes 4.4, 4.5 and 6)	183.462	126.534
Less: Cash and Cash Equivalents (Note 5)	(80.242)	(93.216)
Net debt	103.220	33.318
Total equity	1.144.460	1.202.613
Debt / equity ratio	**9%**	**3%**

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 (Notes 4 and 7) and other receivables (Notes 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 (Notes 4 and 7) and other payables (Notes 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 2020, information on the non-controlling interests in subsidiaries, including the Group's non-controlling interests at significant levels, is as follows:

as Thousand TL	Recydia	Kars Çimento	Çimbeton	Other individual immaterial subsidiaries
Percentage of non-controlling interests	**%48,28**	**%58,45**	**%49,69**	
Non-current assets	251.156	361.456	66.884	81.037
Current assets	97.689	229.529	116.300	66.875
Long-term liabilities	(8.487)	(7.713)	(7.507)	(25.837)
Short-term liabilities	(101.912)	(25.430)	(145.063)	(120.045)
Net assets	**238.446**	**557.842**	**30.614**	**2.030**
Carrying amount of non-controlling interests	**(55.075)**	**326.378**	**11.450**	**(42.521)**
Revenue	177.312	90.703	245.788	182.826
Profit / (Loss)	(42.457)	13.569	(13.306)	(3.261)
Other comprehensive income / (expenses)	(175)	(261)	(152)	(441)
Total comprehensive income / (expenses)	**(42.632)**	**13.308**	**(13.458)**	**(3.702)**
Profit / (loss) allocated to non-controlling interests	(20.968)	7.959	(6.241)	(1.910)
Other comprehensive income/(expenses) allocated to non-controlling interests	(84)	(153)	(76)	(88)

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:

as 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)	419

32. SUBSEQUENT EVENTS

None.

2020 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. 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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