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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2018 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

Building a better
working world

Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Çimsa Çimento Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of 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 December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards ("TAS").

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("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 are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key Audit Matters	How key audit matter addressed in the auditor's response
Goodwill impairment test	
As at 31 December 2018, there is a goodwill amounting to TL 151.824.511 which springs from previous acquisitions. In accordance with TAS, the Group performs an impairment test for each cash generating unit to assess whether there is an impairment in the goodwill amount.	The assumptions, sensitivities and results of the tests performed are disclosed in Note 12 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances. We involved the valuation specialists from another entity that is a part of the same audit network of our audit team to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.
Capitalization of financing expenses	
The Group, capitalizes significant qualifying borrowing costs in respect of major investment projects, including on going factory constructions. Given that there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 23 are inappropriately recorded on the balance sheet rather than expensed, this matter is considered as key audit matter. Detail explanation of financial expenses disclosed in Note 11.	We have tested the operating effectiveness of controls in respect of the processes and procedures which govern the capitalisation of borrowing costs. Furthermore, we have carried out substantive testings in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originally approved budget. In relation to borrowing costs we obtained the supporting calculations, verified the inputs to the calculation, including testing a sample of cash payments, tested the mechanical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised.

4) 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 TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In an independent audit, our responsibilities as the auditors are:

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 InAS 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 InAS, 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) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 20 February 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Cem Uçarlar.

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

Cem Uçarlar, SMMM
Partner

20 February 2019
İstanbul, Türkiye

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

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

TABLE OF CONTENTS

	Page
Consolidated statement of financial position	1 - 2
Consolidated statement of profit or loss	3
Consolidated statement of other comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 – 72

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

	Note	(Audited) Current Period 31 December 2018	(Audited) Prior Period 31 December 2017
ASSETS			
Cash and cash equivalents	5	217.427.133	204.303.367
Trade receivables	6	419.956.860	527.109.810
Trade receivables from related parties	*27*	*18.497*	*3.585.588*
Trade receivables from third parties		*419.938.363*	*523.524.222*
Other receivables	8	1.593.821	19.426.487
Other receivables from related parties	*27*	*248.597*	-
Other receivables from third parties		*1.345.224*	*19.426.487*
Derivate financial instruments	19	22.511.102	3.581.475
Inventories	9	190.255.123	146.774.920
Prepaid expenses	10	9.539.353	7.751.792
Assets related to the current period taxes	25	2.526.430	3.606.207
Other current assets	17	76.159.066	43.187.066
Current assets		**939.968.888**	**955.741.124**
Trade receivables	6	700.600	3.651.658
Trade receivables from third parties		*700.600*	*3.651.658*
Other receivables	8	3.682.965	3.497.796
Other receivables from third parties		*3.682.965*	*3.497.796*
Available for sale financial investments	29	64.478	64.478
Investments accounted under equity method	3	270.207.613	254.063.121
Derivative financial instruments	19	57.332.437	6.794.412
Property, plant and equipment	11	1.982.519.374	1.812.560.081
Intangible assets		170.034.768	164.960.610
Goodwill	*12*	*151.824.511*	*148.119.252*
Other intangible assets	*13*	*18.210.257*	*16.841.358*
Prepaid expenses	10	912.971	1.831.108
Deferred tax assets	25	40.740.895	7.414.569
Other non-current assets	17	17.824.367	31.870.606
Non-current assets		**2.544.020.468**	**2.286.708.439**
TOTAL ASSETS		**3.483.989.356**	**3.242.449.563**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

	Note	(Audited) Current Period 31 December 2018	(Audited) Prior Period 31 December 2017
LIABILITIES			
Short-term borrowings	7	788.523.502	649.286.713
Current portion of long-term borrowings	7	240.587.041	177.801.905
Trade payables	6	296.068.427	290.746.264
Trade payables to related parties	*27*	*58.574.646*	*11.999.811*
Trade payables to third parties		*237.493.781*	*278.746.453*
Employee benefit obligations	16	6.066.777	8.726.850
Other payables	8	13.266.905	10.818.376
Other payables to related parties	*27*	*1.572.923*	*902.084*
Other payables to third parties		*11.693.982*	*9.916.292*
Derivative financial liabilities	19	41.562.030	4.056.927
Deferred income	10	15.389.576	15.813.152
Current income tax liability	25	6.111.499	9.247.691
Short-term provisions		20.256.717	19.430.295
Short-term provisions for employee benefits	*14*	*3.428.000*	*4.500.000*
Other short-term provisions	*14*	*16.828.717*	*14.930.295*
Other current liabilities	17	8.575.707	6.193.570
Current liabilities		**1.436.408.181**	**1.192.121.743**
Long-term borrowings	7	451.361.209	549.748.773
Long-term provisions		38.102.734	37.386.359
Long-term provisions for employee benefits	*14,16*	*33.842.645*	*32.773.566*
Other long-term provisions	*14*	*4.260.089*	*4.612.793*
Derivative financial liabilities	19	55.936.459	7.592.568
Deferred tax liability	25	50.701.393	33.250.309
Non-current liabilities		**596.101.795**	**627.978.009**
SHAREHOLDERS' EQUITY			
Share capital	18	135.084.442	135.084.442
Adjustments to share capital	18	41.741.516	41.741.516
Share premiums		1.099.415	1.099.415
Other comprehensive income/expense to be reclassified to profit or loss		(24.584.144)	32.337.990
Foreign currency translation reserve		*66.947.614*	*29.853.540*
Hedge fund		*(75.387.265)*	*(9.896.684)*
Increase/(decrease) funds of available-for-sale financial assets		*(16.144.493)*	*12.381.134*
Other comprehensive income/expense not to be reclassified to profit or loss		(5.777.277)	(6.500.138)
Actuarial gains/(losses) on defined benefit plans		*(5.777.277)*	*(6.500.138)*
Restricted reserves		*193.104.976*	187.026.176
Retained earnings		*830.431.391*	675.700.470
Net profit for the year		154.925.532	228.351.942
Equity attributable to equityholders of the parent		**1.326.025.851**	**1.294.841.813**
Non-controlling interests		125.453.529	127.507.998
Total shareholders' equity		**1.451.479.380**	**1.422.349.811**
TOTAL LIABILITIES AND EQUITY		**3.483.989.356**	**3.242.449.563**

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Note	(Audited) Current Period 1 January- 31 December 2018	(Audited) Prior Period 1 January- 31 December 2017
OPERATING INCOME			
Sales	20	1.699.958.055	1.490.579.874
Cost of sales (-)	21	(1.293.977.441)	(1.095.690.025)
GROSS PROFIT		**405.980.614**	**394.889.849**
General and administrative expense (-)	21	(108.623.377)	(79.826.881)
Marketing, selling and distribution expense (-)	21	(14.221.118)	(10.984.195)
Research and development expenses(-)	21	(3.851.468)	(1.557.456)
Other operating income	22	98.192.612	55.265.789
Other operating expenses (-)	22	(61.790.226)	(28.135.236)
OPERATING PROFIT		**315.687.037**	**329.651.870**
Income from investment activities	23	33.779.578	51.805.811
Expense from investment activities (-)	23	(8.354)	(409.865)
Profit/(loss) from investments accounted by equity method	3	38.699.123	14.484.722
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**388.157.384**	**395.532.538**
Financial income	24	5.141.861	2.728.922
Financial expenses (-)	24	(218.188.378)	(102.315.797)
PROFIT BEFORE TAXATION		**175.110.867**	**295.945.663**
Tax income/(expense) from continuing operations		**(21.254.018)**	**(48.660.910)**
- Current period tax expense	25	(11.217.802)	(37.674.035)
- Deferred tax income/(expense)	25	(10.036.216)	(10.986.875)
NET PROFIT		**153.856.849**	**247.284.753**
Profit for the period attributable to			
- Non-controlling interests		(1.068.683)	18.932.811
- Equity holders of the parent		154.925.532	228.351.942
Earnings Per Share			
Earnings per share from continuing operations (Nominal amount of 1 Kr)	26	1,1469	1,6904

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	(Audited) Current Period 1 January- 31 December 2018	**(Audited) Prior Period 1 January- 31 December 2017**
PROFIT FOR THE PERIOD	**153.856.849**	**247.284.753**
Other comprehensive income/expense to be reclassified to profit or loss	**(57.889.398)**	**9.569.570**
Foreign currency translation reserve	*36.126.810*	*14.497.727*
Available for sales financial assets revaluation reserve	*(34.801.265)*	*6.210.659*
Hedge fund	*(79.898.509)*	*(12.370.855)*
Tax income/(expense)	*20.683.566*	*1.232.039*
Other comprehensive income/expense not to be reclassified to profit or loss	**704.339**	**(1.671.202)**
Actuarial gains/(losses) on defined benefit plans	*880.424*	*(2.089.002)*
Tax (expense)/income	*(176.085)*	*417.800*
OTHER COMPREHENSIVE INCOME/(EXPENSE) (AFTER TAX)	**(57.185.059)**	**7.898.368**
TOTAL COMPREHENSIVE INCOME	**96.671.790**	**255.183.121**
Total comprehensive income attributable to		
-Non-controlling interests	(2.054.469)	19.511.558
-Equity holders of the parent	98.726.259	235.671.563

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

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

				Other Comprehensive Income/Expense to be Reclassified to Profit or Loss			Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss	Retained Earnings					
	Share capital	**Adjustments to share capital**	**Share premiums**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Available for sales financial assets revaluation reserve**	**Actuarial gains/(losses) on defined benefit plans**	**Restricted reserves**	**Retained earnings**	**Net profit for the period**	**Equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total equity**
1 January 2017	**135.084.442**	**41.741.516**	**1.099.415**	**15.949.885**		**7.412.607**	**(4.844.261)**	**168.519.607**	**640.007.495**	**246.019.452**	**1.250.990.158**	**107.996.440**	**1.358.986.598**
Transfer from retained earnings	-	-	-	-	-	-	-	18.506.569	227.512.883	(246.019.452)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	228.351.942	**228.351.942**	18.932.811	**247.284.753**
Other comprehensive income/(expense)	-	-	-	13.903.655	(9.896.684)	4.968.527	(1.655.877)	-	-	-	**7.319.621**	578.747	**7.898.368**
Total comprehensive income/(expense)	**-**	**-**	**-**	**13.903.655**	**(9.896.684)**	**4.968.527**	**(1.655.877)**	**-**	**-**	**228.351.942**	**235.671.563**	**19.511.558**	**255.183.121**
Dividends paid	-	-	-	-	-	-	-	-	(191.819.908)	-	**(191.819.908)**	-	**(191.819.908)**
31 December 2017	**135.084.442**	**41.741.516**	**1.099.415**	**29.853.540**	**(9.896.684)**	**12.381.134**	**(6.500.138)**	**187.026.176**	**675.700.470**	**228.351.942**	**1.294.841.813**	**127.507.998**	**1.422.349.811**
1 January 2018	**135.084.442**	**41.741.516**	**1.099.415**	**29.853.540**	**(9.896.684)**	**12.381.134**	**(6.500.138)**	**187.026.176**	**675.700.470**	**228.351.942**	**1.294.841.813**	**127.507.998**	**1.422.349.811**
Transfer from retained earnings	-	-	-	-	-	-	-	6.078.800	222.273.142	(228.351.942)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	154.925.532	**154.925.532**	(1.068.683)	**153.856.849**
Other comprehensive income/(expense)	-	-	-	37.094.074	(65.490.581)	(28.525.627)	722.861	-	-	-	**(56.199.273)**	(985.786)	**(57.185.059)**
Total comprehensive income/(expense)	**-**	**-**	**-**	**37.094.074**	**(65.490.581)**	**(28.525.627)**	**722.861**	**-**	**-**	**154.925.532**	**98.726.259**	**(2.054.469)**	**96.671.790**
Dividends paid (*)	-	-	-	-	-	-	-	-	(67.542.221)	-	**(67.542.221)**	-	**(67.542.221)**
31 December 2018	**135.084.442**	**41.741.516**	**1.099.415**	**66.947.614**	**(75.387.265)**	**(16.144.493)**	**(5.777.277)**	**193.104.976**	**830.431.391**	**154.925.532**	**1.326.025.851**	**125.453.529**	**1.451.479.380**

(*) The decision to distribute dividend of 191.819.908 TL from 2016 year profit was unanimously approved by the Ordinary General Assembly held on 27 March 2017 and the payment completed on 29 March 2017.

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Note	(Audited) Current Period 1 January- 31 December 2018	(Audited) Prior Period 1 January- 31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**373.002.835**	**223.486.232**
Profit before taxation		175.110.867	295.945.663
Adjustments to reconcile net profit/loss for the period		**155.864.895**	**75.487.805**
Adjustment related to depreciation and amortization expense	11/13	109.016.505	81.557.843
Adjustment related to gain on sale of fixed assets	23	(28.270.659)	(48.177.287)
Adjustment related to retained profits of subsidiaries	3	(38.699.123)	(14.484.722)
Adjustment related to allowance for doubtful receivable	6	6.436.741	(1.105.872)
Adjustment related to provision for inventories	9	168.305	130.802
Adjustment related to provision for litigations	14.a	1.898.422	977.395
Adjustment related to recultivation provision	14.b	(352.704)	510.245
Adjustment related to provision for unlawful occupation		-	69.729
Adjustment related to retirement pay provision	16.c	5.675.205	4.830.363
Adjustment related to seniority provision	16.c	669.153	99.747
Adjustment related to unpaid vacation liability	16.c	406.446	1.273.594
Adjustment related to bonus accrual	14.a	3.428.000	4.500.000
Adjustment related to interest expense	24	139.443.432	85.858.599
Adjustment related to interest income	22/24	(7.387.733)	(3.665.395)
Adjustment related to dividend income	23	-	(19.761)
Unrealized foreign exchange (gains)/losses on financial borrowings		26.950.073	(38.209.900)
Adjustment related to fair value decrease/(increase) of derivative financial instruments		(63.517.168)	1.342.425
Changes in working capital		**65.557.744**	**(99.746.039)**
Short-term trade receivables		99.219.574	(207.996.791)
Inventories		(43.648.508)	29.998.107
Other receivables/current assets/prepaid expenses		(15.847.118)	(19.176.991)
Long-term trade receivables		2.951.058	(1.584.403)
Other long term receivables/prepaid expenses		14.779.207	61.139.024
Short term trade payables		5.322.163	15.032.061
Other short term payables/liabilities		2.781.368	22.842.954
Cash flows from operations		**396.533.506**	**271.687.429**
Interest received		2.245.872	936.473
Unlawful paid		-	(206.297)
Penalty paid thereunder code 6111		-	(1.371.587)
Seniority provision paid		(4.500.000)	(4.700.000)
Retirement pay provision paid	16.c	(6.025.599)	(2.550.676)
Unused vacation liability paid	16.c	(582.344)	(402.498)
Seniority provision paid	16.c	(314.606)	(38.931)
Taxes paid	25	(14.353.994)	(39.867.681)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(225.493.961)**	**(322.264.094)**
Purchases of property, plant and equipment	11	(255.735.339)	(355.190.672)
Proceeds from sales of property, plant and equipment		35.219.585	63.764.150
Purchases of intangible assets	13	(1.272.948)	(446.110)
Other cash inflows/(outflows)		(3.705.259)	-
Change in advances given for fixed assets	10.a	-	(30.391.462)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(162.782.678)**	**264.250.070**
Proceeds from borrowings		1.591.775.453	1.081.961.330
Repayment of borrowings		(1.633.107.590)	(581.095.778)
Dividend paid	18	(67.542.221)	(191.819.908)
Dividend income	23	-	19.761
Interest paid		(59.050.181)	(47.544.257)
Interests received	24	5.141.861	2.728.922
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**(15.273.804)**	**165.472.208**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**204.303.367**	**32.828.414**
Curreny translation differences (net)		27.966.862	6.002.745
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**216.996.425**	**204.303.367**

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS

General

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

The registered office address of the Group is Kısıklı Cad. No: 4 Sarkuysan-Ak İş Merkezi S Blok Kat: 2 Altunizade, Üsküdar / İstanbul.

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

The upper limit of registered share capital of the Company is TL 200.000.000 (31 December 2017 - TL 200.000.000)

As of 31 December 2018 and 31 December 2017, the information related to the Company's subsidiaries is as follows:

Entity	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				31 December 2018	31 December 2017
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12.10.2005	NCTR	Cement sales and marketing	99,99%	99,99%
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	08.02.2006	Romania	Cement sales and marketing	99,99%	99,99%
Çimsa Cement Sales North GmbH (CSN)(*)	27.06.2006	Germany	White cement marketing	100%	100%
Çimsa Cementos Espana, S.A.U. (Cementos Espana, S.A.U.) (*)	07.07.2006	Spain	Sales of bulk and bagged cement to white cement market	100%	100%
Çimsa Mersin Serbest Bölge Şubesi (*)	12.12.2007	Turkey	Cement export	100%	100%
Regent Place Limited (Regent) (*)	21.05.2008	British Virgin Island	Financial investment and holding company	100%	100%
OOO Çimsa Rus CTK (OOO Rusya) (*)	16.07.2008	Russia	Cement packaging, sales and marketing	100%	100%
Çimsa Adriatico Srl (*)	09.02.2010	Italy	Cement sales and marketing	70%	70%
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31.05.2012	Turkey	Cement production and sales	51%	51%
Cimsa Americas Cement Manufacturing and Sales Corporation (Cimsa Americas) (*)	07.07.2017	USA	Cement production and sales	100%	100%

(*) Accounted for using full consolidation method.

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

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

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 20 February 2019. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The number of blue collar employees (a union member) of the Group for the year ended 31 December 2018 is 660 (2017 – 658) and white collar employees (not a union member) is 470 (2017– 481) and the number of employees working in subsidiaries located abroad is 42 (2017 - 42).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Preparation principles of financial statements

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

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

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

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. These adjustments and reclassifications mainly consist of the effect of deferred tax calculation, provision for doubtful receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 "Employee Benefits" ("TAS 19"), prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, capitalization of financing expenses made in scope of TAS 23 "Borrowing Cost" ("TAS 23") over construction in progress, the assessment of financial assets and liabilities in accordance with IFRS9 "Financial Instruments: Accounting and Measurement" ("IFRS9"), the accounting of TFRS 3 "Business Combinations" ("IFRS 3") and the accounting of derivative financial instruments and cash flow hedge reserves in accordance with IFRS 9.

2.2 Seasonality of the Group's operations

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Going concern

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

2.4 Offsetting

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

2.5 Changes in accounting policies, estimates and errors

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

2.6 Summary of Significant Accounting Policies

Basis of consolidation

As at 31 December 2018, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee and, c) the ability to use its power over the investee to affect the amount of company's returns. The results of subsidiaries are included in the consolidated statements of profit or loss from the effective date of acquisition.

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

Subsidiaries

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

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

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

Associates

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

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

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

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

Cash and cash equivalents

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

Trade Receivables

Trade receivables are recognized with invoiced amounts and carried at amortized cost using the effective interest method in the subsequent periods.
Notes and posdated checks classified in trade receivables are carried at amortized cost using the effective interest rate method.
Provision for doubtful receivables is accounted as expense. Provision for doubtful receivables is set aside if there is a concrete indication that the overdue receivables cannot be collected. The Company uses the simplified approach in IFRS 9 to calculate the expected credit losses of these financial assets. This method requires the accounted of lifetime expected credit losses for all trade receivables.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials - purchase cost on a monthly average basis.

Finished goods and work-in-process - cost includes direct material and labor cost, the applicable allocation of fixed and variable overhead costs (considering normal operating capacity) on the basis of monthly average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Land is not subject to depreciation. Depreciation is calculated on all property, plant and equipment on a straight-line basis over the estimated useful life of the asset as below. The economic useful lives of property, plant and equipments are as follows:

	Useful Lives
Land and land improvements	8–50 years
Buildings	10–50 years
Machinery and equipment	3–25 years
Furniture and fixtures	3–15 years
Motor vehicles	5–10 years
Other tangible assets	5–10 years
Leasehold improvements	Lease period

Intangible assets

Intangible assets which mainly comprise of software and mining rights are measured at cost. Intangible assets may be capitalized in case when they generate economic benefit and costs can ne measured accurately. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Derecognition of tangible and intangible assets

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

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

Goodwill

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

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

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

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

Cırgalan ready-mix concrete facility is purchased with the amount of TL 4.640.259, the valuation of goodwill amounting to TL 3.705.259 after emerging held for property has been accounted in the Group's consolidated balance sheet. According to IFRS 3 Business Combinations Standard, the Group have accounted the provisional value due to the determination of the completion of the initial recognition process according to the combinations. In subsequent periods of the initial recognition, an impairment test will be performed for the cash-generating units for the respective groups.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Impairment on non-financial assets

At each balance sheet date, the Group assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Group estimates the recoverable amount of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset. The main estimates that are used during these analyses comprise expected inflation rates, expected increase in sales and cost of sales, expected changes in export-domestic market composition and expected growth rate of the country

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

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

Business combinations

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Foreign currency transactions

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

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

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

Date	31 December 2018	31 December 2017
USA Dollar ("USD")/TL	5,2609	3,7719
Euro ("EUR")/TL	6,0280	4,5155
Ruble ("RUB")/TL	0,0753	0,0651
Ron ("RON")/TL	1,2866	0,9637
Sterlin ("GBP")/TL	6,6528	5,0803

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

Date	2018	2017
USD/TL	4,8256	3,6437
EUR/TL	5,6751	4,1181
RUB/TL	0,0760	0,0622
RON/TL	1,2125	0,8969
GBP/TL	6,3997	4,6795

Borrowing costs

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Provisions, contingent assets and liabilities

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

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

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

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

Income tax

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

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

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

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

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

Provisions for employee benefits / retirement pay provision

a. Defined benefit plan

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

b. Defined contribution plans

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

c. Seniority provision

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

d. Vacation rights

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

Leasing

Leasing acitivites - as lessee

Financial leasing

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

Operating lease

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

Related parties

A party is related to the Company if:

(a) Directly, or indirectly through one or more intermediaries, the party:
   - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   - (ii) has an interest in the entity that gives it significant influence over the entity; or
   - (iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

Sale of Goods

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

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

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

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

Interest

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

Dividends

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

Earnings per share

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

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

Events subsequent to the balance sheet date

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Accounting on transaction and delivery date

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

Financial instruments

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

A financial asset is any asset that is:

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

A financial liability that is a contractual obligation:

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

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

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a faced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

Fair value of financial instruments

The methods and assumptions in fair value estimation of the financial instruments of the Group are explained in Note 32.

Loans and receivables

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

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

Notes classified as trade receivables and postdated checks are carried at their discounted values by the effective interest rate method.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Available for sale financial assets

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

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

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

Impairment on financial assets

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Financial liabilities

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

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

Bank borrowings

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

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

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

Recognition and derecognition of financial instruments

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

Research expenses and development costs

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

2.7 Comparative Information

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

2.8 The new and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and TFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2018

IFRS 15 – Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. This standard did not have an impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group applied TFRS 9 retrospectively, with the initial application date of 1 January 2018. The standard did not have a significant impact on the financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments);

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

These amendments are not applicable for the Group and did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group, the explanation of preliminary analyses is as follows:

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group will elect to apply the standart to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group will therefore not apply the standart to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has performed a detailed impact assessment of TFRS 16 in 2018. As a result of the effects of transition to TFRS 16, there will be an impact of TL 49.279.915 on property, plant and equipment and TL 48.896.932 in the statement of lease obligation.

Due to the adoption of TFRS 16, The Group's operating profit will improve, while its finance cost will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under TAS 17.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

These amendments are not applicable for the Group and did not have a significant impact on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company / the Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 17 - The New Standard for Insurance Contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
The amendments:

- *clarify the minimum requirements for a business;*
- *remove the assessment of whether market participants are capable of replacing any missing elements;*
- *add guidance to help entities assess whether an acquired process is substantive;*
- *narrow the definitions of a business and of outputs; and*
- *introduce an optional fair value concentration test.*

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments are required to be applied for annual periods beginning on or after 1 January 2020; early application is permitted.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.9 Significant accounting judgments and estimates

a) Reserve for retirement pay liability is determined by using actuarial assumptions such as discount rates, future salary increase and employee's turnover rates. The estimations include significant uncertainties due to their long term nature (Note 16).

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

c) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 11, 13).

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

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

f) The Group performs its impairment analysis on assets by using discounted cash flows. In these analyses, there are certain an assumption about discount rates used and Group's future operations (Note 12).

g) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets (Note 14).

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

As of December 31, 2018, the accounting principles described in Note 2.1 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

3. SHARES IN AFFILIATED UNDERTAKINGS

The assets and liabilities of Exsa, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 December 2018 and 31 December 2017 and revenue, expense and net profit for the periods ending 31 December 2018 and 31 December 2017 are as follows:

				31 December 2018		**31 December 2017**
Investments	Country	Main operating activity	Effective ownership (%)	Carrying net book value	Effective ownership (%)	Carrying net book value
Exsa	Turkey	Investment property and financial instruments	32,9	270.207.613	32,9	254.063.121
				270.207.613		**254.063.121**

	31 December 2018	**31 December 2017**
Assets	824.711.204	802.069.583
Liabilities	(2.786.907)	(29.254.008)
Net assets	821.924.297	772.815.575
Group's share	**270.207.613**	**254.063.121**

	1 January- 31 December 2018	**1 January- 31 December 2017**
Revenues	238.019.203	60.657.639
Expenses	(120.303.238)	(16.597.648)
Net profit for the period	117.715.965	44.059.991
Group's share in net profit	**38.699.123**	**14.484.722**

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

As of December 31, 2018 and December 31, 2017, the movement of Exsa, which is accounted by equity method is as follows:

	1 January-31 December 2018	**1 January-31 December 2017**
Beginning of the period	**254.063.121**	**227.197.264**
Valuation funds	(22.554.631)	12.381.134
Profit/(loss) for the period	38.699.123	14.484.722
End of the period	**270.207.613**	**254.063.121**

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

	31 December 2018			
Subsidiary	**Non-controlling interest %**	**Gain/losses attributable to non-controlling interests**	**Accumulated non-controlling interests**	**Dividend paid to non-controlling interests**
Afyon Çimento Sanayi T.A.Ş.	49	(1.014.142)	119.216.748	-

	31 December 2017			
Subsidiary	Non-controlling interest %	Gain/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Afyon Çimento Sanayi T.A.Ş.	49	18.943.596	120.230.890	-

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

Condensed balance sheet information

	31 December 2018	**31 December 2017**
Cash and cash equivalents	18.748.861	66.229.496
Other current assets	67.757.038	122.259.788
Non-current assets	571.056.758	615.488.449
Total assets	**657.562.657**	**803.977.733**
Short term borrowings	285.958.264	276.449.100
Other current liabilities	20.221.109	60.566.527
Long term borrowings	117.901.128	219.285.066
Other non-current liabilities	(10.666.751)	1.387.767
Total liabilities	**413.413.750**	**557.688.460**
Total equity	**244.148.907**	**246.289.273**

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

Condensed income statement information

	1 January- 31 December 2018	**1 January- 31 December 2017**
Revenue	175.199.174	168.153.098
Gross profit	32.425.008	35.289.211
Operating profit/ (loss)	29.792.652	29.805.162
Net financial income /(expense)	(67.748.486)	(41.675.845)
Profit/ (loss) before tax	(14.311.966)	36.061.015
Net profit for the period	**2.069.677**	**38.660.399**

Condensed cash flow information

	1 January- 31 December 2018	**1 January- 31 December 2017**
Cash flows from operating activities	80.575.588	(3.420.429)
Cash flows from investing activities	26.253.053	305.550
Cash flows from financing activitites (excluding dividend)	(153.085.904)	68.579.618
Net increase/(decrease) in cash and cash equivalents	**(46.257.263)**	**65.464.739**

4. SEGMENT REPORTING

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

The Group manages and organizes its operations depending on the content of the services and goods provided. The Group prepares its segment reporting in accordance with IFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the years ended 31 December 2018 and 31 December 2017, the information about the Group's segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete; segment assets and liabilities as of 31 December 2018 and 31 December 2017.

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

4. SEGMENT REPORTING (continued)

1 January-31 December 2018	**Cement**	**Ready-mix concrete**	**Undistributed**	**Elimination**	**Total**
Sales	1.449.678.553	315.176.385	-	(64.896.883)	1.699.958.055
Cost of sales (-)	(1.035.472.144)	(323.402.180)	-	64.896.883	(1.293.977.441)
Gross profit/(loss)	**414.206.409**	**(8.225.795)**	**-**	**-**	**405.980.614**
General administrative,marketing selling distribution expenses (-)	(82.469.545)	-	(40.374.950)	-	(122.844.495)
Other operating income/(expenses) (-), net	30.108.725	244.467	6.049.194	-	36.402.386
Research and development expenses (-)	(3.851.468)	-	-		(3.851.468)
Operating profit/ (loss)	**357.994.121**	**(7.981.328)**	**(34.325.756)**	**-**	**315.687.037**
Income from investment activities	33.779.578	-	-	-	33.779.578
Expense from investment activities (-)	(8.354)	-	-	-	(8.354)
Profit/loss from invetments accounted by equity method	-	-	38.699.123	-	38.699.123
Operating profit/(loss) before financial income/(expense)	**391.765.345**	**(7.981.328)**	**4.373.367**		**388.157.384**
Financial income/(expenses), (net)	**(213.046.517)**	**-**	**-**	**-**	**(213.046.517)**
Profit/(loss) before tax from continuing operations	**178.718.828**	**(7.981.328)**	**4.373.367**	**-**	**175.110.867**
Tax (expense)/income from continuing operations	**(21.254.018)**	**-**	**-**	**-**	**(21.254.018)**
Current period tax expense (-)	(11.217.802)	-	-	-	(11.217.802)
Deferred tax income/(expense)	(10.036.216)	-	-	-	(10.036.216)
Profit/(loss) for the period from continuing operations	**157.464.810**	**(7.981.328)**	**4.373.367**	**-**	**153.856.849**

1 January-31 December 2017	**Cement**	**Ready-mix concrete**	**Undistributed**	**Elimination**	**Total**
Sales	1.256.960.339	317.917.543	-	(84.298.008)	1.490.579.874
Cost of sales (-)	(846.658.000)	(333.330.033)	-	84.298.008	(1.095.690.025)
Gross profit/(loss)	**410.302.339**	**(15.412.490)**		**-**	**394.889.849**
General administrative,marketing selling distribution expenses (-)	(68.394.061)	-	(22.417.015)	-	(90.811.076)
Other operating income/expenses (-), net	22.688.506	172.543	4.269.504	-	27.130.553
Research and Development Expenses (-)	(1.557.456)	-	-		(1.557.456)
Operating profit/ (loss)	**363.039.328**	**(15.239.947)**	**(18.147.511)**	**-**	**329.651.870**
Income from investment activities	51.805.811	-	-	-	51.805.811
Expense from investment activities (-)	(409.865)	-	-	-	(409.865)
Profit/loss from invetments accounted by equity method	-	-	14.484.722	-	14.484.722
Operating profit/(loss) before financial income/expense	**414.435.274**	**(15.239.947)**	**(3.662.789)**	**-**	**395.532.538**
Financial income/(expenses), (net)	**(99.586.875)**	**-**	**-**	**-**	**(99.586.875)**
Profit/(loss) before tax from continuing operations	**314.848.399**	**(15.239.947)**	**(3.662.789)**	**-**	**295.945.663**
Tax (expense)/income from continuing operations	**(48.660.910)**	**-**	**-**	**-**	**(48.660.910)**
Current period tax expense (-)	(37.674.035)	-	-	-	(37.674.035)
Deferred tax income/expense	(10.986.875)	-	-	-	(10.986.875)
Profit/(loss) for the period from continuing operations	**266.187.489**	**(15.239.947)**	**(3.662.789)**	**-**	**247.284.753**

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

4. SEGMENT REPORTING (continued)

1 January - 31 December 2018					
Other segment information	**Cement**	**Ready-mix concrete**	**Undistributed**	**Eliminataion**	**Total**
Tangible assets	255.183.150	4.257.448	-	-	259.440.598
Intangible assets	1.272.948	-	-	-	1.272.948
Total investment expenses	**256.456.098**	**4.257.448**	**-**	**-**	**260.713.546**
Amortization expense	(98.761.798)	(7.750.978)	-	-	(106.512.776)
Impairment	-	-	-	-	-
Redemption	(2.503.729)	-	-	-	(2.503.729)

1 January - 31 December 2017					
Other segment information	**Cement**	**Ready-mix concrete**	**Undistributed**	**Eliminataion**	**Total**
Tangible assets	413.213.226	8.129.572	-	-	421.342.798
Intangible assets	446.110	-	-	-	446.110
Total investment expenses	**413.659.336**	**8.129.572**	**-**	**-**	**421.788.908**
Amortization expense	(64.943.920)	(13.823.826)	-	-	(78.767.746)
Impairment	-	-	-	-	-
Redemption	(2.790.097)	-	-	-	(2.790.097)

31 December 2018	**Cement**	**Ready-mix concrete**	**Undistributed**	**Eliminataion**	**Total**
Assets and liabilities	-	-	-	-	-
Tangible assets	1.675.621.108	1.431.137.895	-	-	3.106.759.003
Available for sale financial investments	-	-	64.478	-	64.478
Investments accounted by equity method	-	-	270.207.613	-	270.207.613
Undistributed assets	-	-	120.493.635	-	120.493.635
Total asset	**1.675.621.108**	**1.431.137.895**	**390.765.726**		**3.497.524.729**
Segment liabilities	1.961.783.786	84.261.563	-	-	2.046.045.349
Undistributed liabilities	-	-	1.451.479.380	-	1.451.479.380
Total liabilities	**1.961.783.786**	**84.261.563**	**1.451.479.380**	**-**	**3.497.524.729**

31 December 2017	**Cement**	**Ready-mix concrete**	**Undistributed**	**Eliminataion**	**Total**
Assets and liabilities					
Segment assets	1.621.293.216	1.312.038.782	-	-	2.933.331.998
Available for sale financial investments	-	-	64.478	-	64.478
Investments accounted by equity method	-	-	254.063.121	-	254.063.121
Undistributed assets	-	-	54.989.966	-	54.989.966
Total asset	**1.621.293.216**	**1.312.038.782**	**309.117.565**	**-**	**3.242.449.563**
Segment liabilities	1.723.694.819	96.404.933	-	-	1.820.099.752
Undistributed liabilities	-	-	1.422.349.811	-	1.422.349.811
Total liabilities	**1.723.694.819**	**96.404.933**	**1.422.349.811**	**-**	**3.242.449.563**

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

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

5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	**31 December 2017**
Cash	986.115	5.238.514
Cash at banks	190.650.314	171.975.245
Demand deposits	*67.659.344*	*67.082.270*
Time deposits with maturity of less than 3 months	*122.990.970*	*104.892.975*
Other cash and cash equivalents (*)	15.359.786	13.642.651
Checks in collection (**)	10.430.918	13.446.957
	217.427.133	**204.303.367**
Blocked deposites (-)	(430.708)	-
Cash and cash equivalents in consolidated cash flow statement	**216.996.425**	**204.303.367**

(*) Other cash and cash equivalents consist of credit card receivables and average maturity is 58 days. (31 December 2017: 60 days).

(**) The maturities are due but not collected as of December 31, 2018.

The detail of bank deposits is stated below:

	31 December 2018	**31 December 2017**
TL	94.529.770	102.707.351
EUR	39.860.033	40.575.578
USD	52.688.506	28.692.316
GBP	2.116.863	-
Other	1.455.142	-
	190.650.314	**171.975.245**

Time deposits as of 31 December 2018 and 31 December 2017 are denominated in TL with the maturity of less than three months. As of 31 December 2018, effective weighted average interest rate on time deposits is 22,33% for TL (31 December 2017 TL: 13,43%). As of 31 December 2018, the blocked deposit amount is TL 430.708. (The Group does not have any blocked deposits as of 31 December 2017.)

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

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

Short-term trade receivables	31 December 2018	31 December 2017
Trade receivables	332.254.830	373.740.351
Notes receivable	106.381.838	160.548.800
Due from related parties (Note 27)	18.497	3.585.588
Allowance for doubtful receivables (-)	(18.698.305)	(10.764.929)
	419.956.860	**527.109.810**

Collection terms of trade receivables', notes receivables' and checks' vary based on the type of the product and agreements made with the customers and the average term is 96 days (31 December 2017- 91 days). Effective interest rates used when determining the amortized cost are 19,03% for TL, 4,79% for USD and 2,47% for EUR (31 December 2017 - TL: 13,53%, USD: 3,49%, EUR: 2,3%).

The movement of the provision for doubtful receivables for the periods ended 31 December 2018 and 31 December 2017 is as follows:

Movements of allowance for doubtful receivables	2018	2017
Opening balance	10.764.929	11.747.372
Provisions during the period (Note 22)	7.045.950	-
Reversal of the provision (-) (Note 22)	(609.209)	(1.107.650)
Currency translation difference	1.496.635	125.207
Closing balance	**18.698.305**	**10.764.929**

The long term trade receivables for the periods ended 31 December 2018 and 31 December 2017 is as follows:

Long term trade receivables	31 December 2018	31 December 2017
Notes receivables	700.600	1.320.597
Trade receivables	-	2.331.061
	700.600	**3.651.658**

b. Trade payables

Short-term trade payables	31 December 2018	31 December 2017
Trade payables	237.493.781	278.746.453
Trade payables to related parties (Note 27)	58.574.646	11.999.811
	296.068.427	**290.746.264**

The average payment period of trade payables is 74 days (31 December 2017: 67 days). Effective interest rates used when determining the amortized cost are 19,03% for TL, 4,79% for USD and 2,47% for EUR (31 December 2017 - TL: 13,53%, USD: 3,49%, EUR 2,3%).

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

7. FINANCIAL BORROWINGS

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

Borrowings	31 December 2018	31 December 2017
Short-term borrowings	788.523.502	649.286.713
Current portion of long-term borrowings	240.587.041	177.801.905
	1.029.110.543	**827.088.618**
Long-term borrowings	451.361.209	549.748.773
	451.361.209	**549.748.773**
Total borrowings	**1.480.471.752**	**1.376.837.391**

The details of the borrowings and financial lease liabilities as of 31 December 2018 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2018
Secured	Floating(*)	EUR	2,44%	66.465.676	229.462.700	171.192.396	400.655.096
Unsecured	Fixed	EUR	2,31%	18.256.045	39.396.236	70.651.202	110.047.438
Secured	Fixed	USD	4,99%	21.314.445	112.133.164	-	112.133.164
Unsecured	Fixed	USD	3,65%	19.451.747	102.333.694	-	102.333.694
Unsecured	Fixed	TL	16,56%	506.496.489	388.595.361	117.901.128	506.496.489
Secured	Fixed	TL	15,35%	248.805.866	157.189.388	91.616.483	248.805.871
					1.029.110.543	**451.361.209**	**1.480.471.752**

(*) Çimsa has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan of 42.058.824 EUR with floating interest rate. Maturity date of this transaction is 29 March 2022, financial risk hedge accounting applied and accounted under equity (Note 19).

The details of the borrowings and financial lease liabilities as of 31 December 2017 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance	Short-term	Long-term	31 December 2017
Secured	Fixed	EUR	1,90	21.018.146	45.236.938	49.670.500	94.907.438
Unsecured	Fixed	EUR	2,47	10.211.944	4.749.730	10.066.796	14.816.526
Secured	Floating(*)	EUR	2,45	55.000.000	58.435.880	189.916.620	248.352.500
Unsecured	Fixed	TL	12,79	932.007.227	631.912.370	300.094.857	932.007.227
Unsecured	Fixed	USD	3,20	23.000.000	86.753.700	-	86.753.700
					827.088.618	**549.748.773**	**1.376.837.391**

The repayment schedule of the borrowings as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
To be paid within 1 year	1.029.110.543	827.088.618
To be paid between 1-2 years	263.350.657	314.908.030
To be paid between 2-3 years	98.817.384	88.575.714
To be paid between 3-4 years	89.193.168	81.464.273
To be paid between 4-5 years	-	63.137.529
More than 5 years	-	1.663.227
	1.480.471.752	**1.376.837.391**

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

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

Short-term Other Receivables	31 December 2018	31 December 2017
Due from personnel	600.597	491.701
Receivables from insurance claims	600.526	80.387
Other miscellaneous receivables (*)	897.747	19.608.045
Provision for doubtful other receivables (-)	(753.646)	(753.646)
	1.345.224	**19.426.487**

(*) Other miscellaneous receivables consists of provision for other doubtful receivables. (31 December 2017: Other miscellaneous receivables consists of the sales of the old factory land of Afyon Çimento and the sale of the scraps of old factory. It was collected during the year and closed (31 December 2017: TL 17.112.871 and TL 1.742.061 respectively)).

Short-term Other Receivables	31 December 2018	31 December 2017
Other receivables from related parties (Note 27)	248.597	-
	248.597	**-**

Long-term Other Receivables	31 December 2018	31 December 2017
Deposits and guarantees given	3.682.965	3.497.796
	3.682.965	**3.497.796**

b. Other payables

Short-term Other Payables	31 December 2018	31 December 2017
Deposits and guarantees received	8.690.040	6.512.984
Taxes and funds payable	3.003.942	3.403.308
Other payables to related parties (Note 27)	1.572.923	902.084
	13.266.905	**10.818.376**

9. INVENTORIES

Inventories	31 December 2018	31 December 2017
Raw materials	76.777.716	89.419.395
Work-in progress	68.653.471	31.764.735
Finished goods	38.740.746	22.556.355
Other inventories	10.125.863	6.908.803
Inventory impairment provision (-)	(4.042.673)	(3.874.368)
	190.255.123	**146.774.920**

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

9. INVENTORIES (continued)

Inventory impairment provision movement

Inventory impairment provision movement	31 December 2018	31 December 2017
Opening balance	3.874.368	3.743.566
Provisions during the period (Note 21)	168.305	311.297
Reversal of the provision (-) (Note 21)	-	(180.495)
Closing balance	**4.042.673**	**3.874.368**

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

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

Short-term Provision Expenses	31 December 2018	31 December 2017
Advances given to suppliers	5.013.739	1.727.857
Prepaid expenses	4.525.614	6.023.935
	9.539.353	**7.751.792**

Long-term Provision Expenses	31 December 2018	31 December 2017
Advances given for the purchase of fixed assets	844.373	1.713.070
Prepaid expenses	68.598	118.038
	912.971	**1.831.108**

b. Deferred income

Short-term Deferred Income	31 December 2018	31 December 2017
Advanced received	12.804.558	6.133.215
Deferred income	2.585.018	1.679.937
Other advanced (*)	-	8.000.000
	15.389.576	**15.813.152**

(*) As of 31 December 2017, other advanced consists of the transactions related to the sale of the Afyon Çimento land which has not yet been transferred to the land even if the land price has been collected.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
Cost value										
Opening balance as of 1 January 2018	**103.442.685**	**115.910.173**	**477.591.564**	**1.648.128.161**	**88.150.149**	**16.944.713**	**1.158.971**	**2.270.359**	**366.935.964**	**2.820.532.739**
Currency translation difference	1.000.657	880.865	16.949.367	30.096.217	624.958	490.187	218.790	-	5.437.224	55.698.265
Effect of facility purchased (Note 12)	830.259	-	2.205.000	670.000	-	-	-	-	-	3.705.259
Additions	422.056	60.076	11.426.617	3.503.825	919.194	330.259	7.460	-	239.065.852	255.735.339
Disposals	(6.485.688)	(57.267)	-	(201.556)	(2.865.729)	(73.193)	(52.817)	-	-	(9.736.250)
Transfers from construction in progress (*)	-	4.101.011	92.000.387	270.531.267	-	2.240.749	-	-	(372.201.288)	(3.327.874)
Closing balance as of 31 December 2018	**99.209.969**	**120.894.858**	**600.172.935**	**1.952.727.914**	**86.828.572**	**19.932.715**	**1.332.404**	**2.270.359**	**239.237.752**	**3.122.607.478**
Accumulated depreciation										
Opening balance as of 1 January 2018	**-**	**(46.275.590)**	**(128.112.282)**	**(761.316.254)**	**(60.183.728)**	**(9.315.877)**	**(564.065)**	**(2.204.862)**	**-**	**(1.007.972.658)**
Currency translation difference	-	(484.119)	(8.022.441)	(19.084.801)	(511.503)	(317.423)	(306.730)	-	-	(28.727.017)
Charge for the period	-	(6.772.930)	(13.128.936)	(77.711.580)	(6.944.573)	(1.901.695)	(25.118)	(27.944)	-	(106.512.776)
Disposals	-	46.715	-	197.390	2.840.806	39.436	-	-	-	3.124.347
Closing balance as of 31 December 2018	**-**	**(53.485.924)**	**(149.263.659)**	**(857.915.245)**	**(64.798.998)**	**(11.495.559)**	**(895.913)**	**(2.232.806)**	**-**	**(1.140.088.104)**
Net book value as of 31 December 2018	**99.209.969**	**67.408.934**	**450.909.276**	**1.094.812.669**	**22.029.574**	**8.437.156**	**436.491**	**37.553**	**239.237.752**	**1.982.519.374**

There is mortgage or pledge over assets of the Group amounting to TL 28.288.198 as of December 31, 2018 (December 31, 2017 – TL 97.082.197). As of 31 December 2018 and 2017, there are no tangible assets acquired through financial leasing.

(*) Construction in progress is related to investments made by the Group to Afyon, Niğde and Eskişehir factories. As of December 31, 2018, the capitalized financing cost and financing income of the construction in progress is amounting to TL 10.000.775 (31 December 2017: 61.169.601 TL). The total amount of contruction in progress is 3.327.874 TL which is transferred to intangible assets.

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles(**)	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
Cost value										
Opening balance as of 1 January 2017	**105.784.429**	**89.555.167**	**279.784.124**	**1.147.475.015**	**83.449.772**	**17.515.405**	**1.134.592**	**2.283.859**	**779.181.748**	**2.506.164.111**
Currency translation difference	1.141.339	610.533	10.508.021	14.972.702	526.737	293.337	-	-	-	28.052.669
Additions	5.173.695	542.143	3.299.504	40.337.578	5.923.397	412.219	51.955	-	365.602.307	421.342.798
Disposals	(15.333.611)	(5.711.334)	(15.329.160)	(93.389.818)	(2.259.800)	(3.170.909)	(27.576)	(13.500)	-	(135.235.708)
Transfers from construction in progress (*)	6.676.833	30.913.664	199.329.075	538.732.684	510.043	1.894.661	-	-	(777.848.091)	208.869
Closing balance as of 31 December 2017	**103.442.685**	**115.910.173**	**477.591.564**	**1.648.128.161**	**88.150.149**	**16.944.713**	**1.158.971**	**2.270.359**	**366.935.964**	**2.820.532.739**
Accumulated depreciation										
Opening balance as of 1 January 2017	**-**	**(45.383.445)**	**(129.387.540)**	**(774.172.035)**	**(57.480.354)**	**(10.510.218)**	**(514.331)**	**(2.178.809)**	**-**	**(1.019.626.732)**
Currency translation difference	-	(224.381)	(3.714.119)	(9.503.970)	(267.197)	(251.118)	-	-	-	(13.960.785)
Charge for the period	-	(6.161.548)	(10.339.783)	(56.242.866)	(4.276.561)	(1.655.194)	(52.241)	(39.553)	-	(78.767.746)
Disposals	-	5.493.784	15.329.160	78.602.617	1.840.384	3.100.653	2.507	13.500	-	104.382.605
Closing balance as of 31 December 2017	**-**	**(46.275.590)**	**(128.112.282)**	**(761.316.254)**	**(60.183.728)**	**(9.315.877)**	**(564.065)**	**(2.204.862)**	**-**	**(1.007.972.658)**
Net book value as of 31 December 2017	**103.442.685**	**69.634.583**	**349.479.282**	**886.811.907**	**27.966.421**	**7.628.836**	**594.906**	**65.497**	**366.935.964**	**1.812.560.081**

(*) Construction in progress is related to investments made by the Group to Afyon, Niğde and Eskişehir factories. As of December 31, 2017, the capitalized financing cost and financing income of the construction in progress is amounting to TL 61.238.855 and TL 69.254, respectively, and net financing cost is TL 61.169.601. (31 December 2016: 44.712.319 TL). Afyon Cement's new factory, located in the provincial borders of Afyonkarahisar, which was commissioned in 2014, has been in operation since April 2017 after the completion of the test production and since then Group terminated production in the old factory. The total amount of contruction in progress is 208.869 TL which is transferred to intangible assets.

(**) Within the year 2017, group has review the useful lives of mixers which is accounted in vehicles and determined the economic life of 7 years to be 10 years. Group has implemented this amendment to prospective years because of possible prediction changes. If there had been no change in useful lives, the depreciation charge for the current period and accumulated depreciation would have been higher amonuting to TL 2.933.304.

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The distribution of depreciation charge for the property, plant and equipment is as follows:

	1 January 31 December 2018	1 January 31 December 2017
Cost of sales	103.742.431	76.484.697
General administrative expenses	2.453.502	2.009.192
Marketing, sales and distrubition expenses	229.739	212.640
Research and development expenses	87.104	61.217
	106.512.776	**78.767.746**

12. GOODWILL

The goodwill amount presented in the Group's financial statements as of 31 December 2018 is related to Eskişehir and Ankara Cement Factories ("Standart Çimento") acquired in 2005, Çimsa Cement located in TRNC, Bilecik Ready Mix Cement Facilities acquired in 2008, Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012 and Cırgalan Ready-Mixed Concrete Facility acquired in 2018. The movement of goodwill for the periods ending 31 December 2018 and 31 December 2017 is stated below.

31 December 2018	**Opening**	**Effect of the acquired subsidiary**	**Currency Translation Differences**	**Total**
Eskişehir	132.140.806	-	-	132.140.806
Afyon Çimento Sanayi T.A.Ş.	11.358.393	-	-	11.358.393
Bilecik Hazır Beton	4.293.971	-	-	4.293.971
Çimsa Cement Free Zone Ltd.	326.082	-	-	326.082
Cırgalan Ready-Mixed Concrete Facility	-	3.705.259	-	3.705.259
	148.119.252	**3.705.259**	**-**	**151.824.511**

31 December 2017	**Opening**	**Effect of the acquired subsidiary**	**Currency Translation Differences**	**Total**
Eskişehir	132.140.806	-	-	132.140.806
Afyon Çimento Sanayi T.A.Ş.	11.358.393	-	-	11.358.393
Bilecik Hazır Beton	4.293.971	-	-	4.293.971
Çimsa Cement Free Zone Ltd.	326.082	-	-	326.082
	148.119.252	**-**	**-**	**148.119.252**

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

Cırgalan ready-mix concrete facility is purchased with the amount of TL 4.640.259, the valuation of goodwill amounting to TL 3.705.259 after emerging held for property has been accounted in the Group's consolidated balance sheet. According to IFRS 3 Business Combinations Standard, the Group have accounted the provisional value due to the determination of the completion of the initial recognition process according to the combinations. In subsequent periods of the initial recognition, an impairment test will be performed for the cash-generating units for the respective groups.

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

13. INTANGIBLE ASSETS

	Mining Rights	Other Intangible Assets	Total
Cost value			
Opening balance as of 1 January 2018	30.936.530	10.946.209	41.882.739
Currency translation difference	85.264	201.916	287.180
Additions	1.107.773	165.175	1.272.948
Disposals	(337.023)	-	(337.023)
Transfers from investments	-	3.327.874	3.327.874
Closing balance as of 31 December 2018	**31.792.544**	**14.641.174**	**46.433.718**
Accumulated amortization			
Opening balance as of 1 January 2018	(19.389.759)	(5.651.622)	(25.041.381)
Currency translation difference	(451.977)	(226.374)	(678.351)
Charge for period	(1.023.718)	(1.480.011)	(2.503.729)
Disposals	-	-	-
Closing balance as of 31 December 2018	**(20.865.454)**	**(7.358.007)**	**(28.223.461)**
Net book value as of 31 December 2018	**10.927.090**	**7.283.167**	**18.210.257**

	Mining Rights	Other Intangible Assets	Total
Cost value			
Opening balance as of 1 January 2017	30.936.530	10.453.710	41.390.240
Currency translation difference	-	734.193	734.193
Additions	-	446.110	446.110
Disposals	-	(478.935)	(478.935)
Transfers from investments	-	(208.869)	(208.869)
Closing balance as of 31 December 2017	**30.936.530**	**10.946.209**	**41.882.739**
Accumulated amortization			
Opening balance as of 1 January 2017	(17.412.895)	(5.030.627)	(22.443.522)
Currency translation difference	-	(176.783)	(176.783)
Charge for period	(1.976.864)	(813.233)	(2.790.097)
Disposals	-	369.021	369.021
Closing balance as of 31 December 2017	**(19.389.759)**	**(5.651.622)**	**(25.041.381)**
Net book value as of 31 December 2017	**11.546.771**	**5.294.587**	**16.841.358**

The mining rights are amortized in proportion to the reserves consumed in the current year to the total reserves. The remaining amortization period depends on the duration of the depletion of the remaining reserves.

The distribution of amortization charge for intangible assets is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of sales	2.438.608	2.709.229
General administrative expenses	57.673	71.169
Marketing, sales and distrubition expenses	5.400	7.532
Research and development expenses	2.048	2.167
	2.503.729	**2.790.097**

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

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

As of 31 December 2018, bonus and premium provisions for employee benefits is TL 3.428.000. (31 December 2017: TL 4.500.000)

Short-term provisions	31 December 2018	31 December 2017
Provision for litigations	16.828.717	14.930.295
Short-term provisions for employee benefits	3.428.000	4.500.000
	20.256.717	**19.430.295**

The movement of "Provision for the litigations" as of 31 December 2018 and 31 December 2017 is stated below:

Provision for the litigation movement	31 December 2018	31 December 2017
Opening balance	14.930.295	13.952.900
Additional provision (Note 22)	2.228.249	1.300.306
Provision no longer required (-) (Note 22)	(329.827)	(322.911)
Closing balance	**16.828.717**	**14.930.295**

As of 31 December 2018, the Group has a provision amounting to TL 16.828.717 based on the opinion of the legal advisors related to the cases which have a risk against the Group (31 December 2017: TL 14.930.295).

b. Long-Term Provisions

Long-term provisions	31 December 2018	31 December 2017
Long-term employee benefits	33.842.645	32.773.566
Other long term provisions	4.260.089	4.612.793
	38.102.734	**37.386.359**

Other long term provisions	31 December 2017	31 December 2016
Recultivation provision	4.260.089	4.612.793
	4.260.089	**4.612.793**

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TL 4.260.089 under "Other Long Term Provisions" as of 31 December 2018 (31 December 2017: TL 4.612.793).

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

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

b. Long Term Provisions (continued)

Movement of recultivation provision as of December 31, 2018 and December 31, 2017 is as follows:

Recultivation provision movement	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	4.612.793	4.102.548
Additional provision (Note 22)	323.130	510.245
Provision no longer required (-) (Note 22)	(675.834)	-
Closing balance	**4.260.089**	**4.612.793**

15. COMMITMENTS

As of 31 December 2018 and 31 December 2017, the details of the given letter of guarantee are as follows:

		31 December 2018		31 December 2017	
	Original Currency	**Orginal Amount**	**TL Balance**	**Original Amount**	**TL Balance**
Letters of guarantees received	TL	408.959.306	408.959.306	326.778.643	326.778.643
Letters of guarantees received	USD	23.711.521	124.743.942	19.465.349	73.421.351
Letters of guarantees received	EUR	11.399.414	68.715.670	13.597.503	61.399.523
Letters of guarantees received	Other	26.000	26.000	26.000	26.000
Mortgages recevied	TL	34.306.423	34.306.423	31.407.023	31.407.023
Mortgages recevied	EURO	592.906	3.574.037	1.007.000	4.547.109
Mortgages recevied	RUB	175.174.835	13.197.672	175.174.835	11.398.627
Checks and Notes received	TL	19.742.262	19.742.262	20.196.573	20.196.573
Checks and Notes received	EURO	70.000	421.960	75.000	338.663
Checks and Notes received	USD	47.300	248.841	47.300	178.411
Pledge	TL	15.835.159	15.835.159	16.452.988	16.452.988
Total received CPM			**689.771.272**		**546.144.911**

As of 31 December 2018 and 31 December 2017, the details of the CPM given are as follows:

		31 December 2018		31 December 2017	
	Original Currency	**Original Amount**	**TL Balance**	**Original Amount**	**TL Balance**
A. Total CPM given for the Company's own legal entity	TL	21.486.720	21.486.720	72.407.321	72.407.321
	USD	21.148.223	111.258.686	55.830.006	210.585.200
	EUR	4.966.275	29.936.706	19.153.502	86.487.638
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		-	-	-	-
C Total CPM given in favour of other 3rd parties for ordinary trading operations		-	-	-	-
D. Other CPM given		-	-	-	-
i Total CPM given in favour of parent entity		-	-	-	-
ii Total CPM given in favour of other Group companies out of scope of clause B and C		-	-	-	-
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			162.682.112		**369.480.159**

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

15. COMMITMENTS (continued)

Investigation of the Competition Authority

In the article 77234294-110.01.04-E.9083 dated 20.07.2018, the Competition Authority is notified to Afyon Çimento with the decision dated 18.07.2018 and numbered 18-23, the decision for Afyon Çimento is included in the investigation followed with the file number 2017-5-046 to determine whether there has been a violation of Article 4 of the Law on the Protection of Competition No. 4054. The investigation process continues.

16. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

	31 December 2018	31 December 2017
Social security payables	2.710.908	2.176.143
Personnel witholding tax	2.624.202	5.244.971
Wage and salary payables to personnel	731.667	1.305.736
	6.066.777	**8.726.850**

b. Short Term Employee Benefits

For the year ended December 31, 2018 the bonus accrual is TL 3.428.000 (December 31, 2017: TL 4.500.000) (Note: 14).

c. Long Term Employee Benefits

	31 December 2018	31 December 2017
Retirement pay provision	29.122.963	28.261.383
Provision for unpaid vacation liability	3.637.726	3.784.774
Seniority provision	1.081.956	727.409
	33.842.645	**32.773.566**

The movement of "Retirement Pay Provision" for the periods ended 31 December 2018 and 31 December 2017 is stated below:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	28.261.383	23.635.650
Service cost	4.640.853	3.961.671
Interest cost (Note 22)	1.034.352	868.692
Actuarial loss / (gain)	880.424	2.089.002
Provision paid during the period	(6.025.599)	(2.550.676)
Currency translation difference	331.550	257.044
Closing balance	**29.122.963**	**28.261.383**

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

Such payments are calculated on the basis of one month's pay limited to a maximum of full TL 5.434,42 as of 31 December 2018 (31 December 2017: full TL 4.732,48).

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

16. EMPLOYEE BENEFITS (continued)

As of 31 December 2018, retirement pay provison is reflected in the consolidated financial statements by using the "Projection Method" based on actuary method and assumptions made by professional actuaries.

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

	31 December 2018	31 December 2017
Discount rate	%14,90	% 9,00
Estimated increase rate	%9,23	% 5,00
Net discount rate	%5,1	% 3,81
Employee turnover rate	%3,73	% 3,92

The movement of "Provision for Unpaid Vacation Liability" for the periods ended 31 December 2018 and 31 December 2017 is stated below:

	1 January 31 December 2018	1 January 31 December 2017
Opening balance	3.784.774	2.889.926
Additional provision (Note 22)	406.446	1.273.594
Provision paid during the period	(582.344)	(402.498)
Currency translation difference	28.850	23.752
Closing balance	**3.637.726**	**3.784.774**

The movement of "Seniority Provision" for the periods ended 31 December 2018 and 31 December 2017 is stated below:

	1 January 31 December 2018	1 January 31 December 2017
Opening balance	727.409	866.149
Additional provision (Note 22)	669.153	99.747
Provision paid during the period	(314.606)	(38.931)
Provisions no longer required (-) (Note 22)	-	(199.556)
Closing balance	**1.081.956**	**727.409**

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

17. OTHER ASSETS AND LIABILITIES

a. Other Assets

Other current assets	31 December 2018	31 December 2017
Deferred VAT (1)	72.343.398	41.323.224
Job and personnel advances	800.807	522.751
Other current assets	3.014.861	1.341.091
	76.159.066	**43.187.066**

Other non-current assets	31 December 2018	31 December 2017
Deferred VAT (2)	13.920.096	26.940.729
Export VAT (3)	3.902.117	4.927.552
Other non-current assets	2.154	2.326
	17.824.367	**31.870.606**

(1) MTL 54.4 of Deferred VAT is related with the purchases made as part of new investment in Niğde and Eskişehir. (31 December 2017: MTL 14).
(2) Due to the new investment of Afyon Çimento T.A.Ş, the portion of VAT amounting to TL 13.920.096 will be deducted in a longer period than a year according to the estimations of the Group. (31 December 2017: TL 26.940.729.)
(3) According to VAT Law no 11/c, the VAT amount regarding to the goods which are rendered to export dealers by manufacturers is not collected, and are recorded to export VAT and deferred VAT accounts. Uncollected VAT is declared on related VAT declaration; accrued VAT is deferred and recorded to deferred VAT accounts. After verification of the realization of export, tax administration makes cancellation for the deferred VAT.

b. Other Liabilities

	31 December 2018	31 December 2017
Other short term liabilities	8.575.707	6.193.570
	8.575.707	**6.193.570**

18. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2018 and 31 December 2017, the composition of shareholders is as follows:

	31 December 2018		31 December 2017	
Shareholders (*)	(%)	Amount	(%)	Amount
Hacı Ömer Sabancı Holding A.Ş.	54,54	73.674.201	49,42	66.765.208
Aberdeen Asset Managers Limited (**)	9,07	12.246.809	9,31	12.576.362
Akçansa Çimento San. ve Tic. A.Ş.	8,98	12.130.560	8,98	12.130.560
Adana Çimento San. T.A.Ş.	-	-	5,11	6.908.993
Hacı Ömer Sabancı Vakfı	0,11	150.000	0,11	150.000
Other shareholders	27,30	36.882.872	27,07	36.553.319
Nominal share capital	100	135.084.442	100	135.084.442
Inflation adjustment		41.741.516		41.741.516
Rearranged share capital		**176.825.958**		**176.825.958**

(*) Public quotation of the Group in BIST is 35,58% as of 31 December 2018 (31 December 2017: 40,68%).

(**) Aberdeen Asset Management Limited holds 9,07% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2017: 9,31%).

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

The share capital of the Group as of 31 December 2018 consists of 135.084.442 shares (31 December 2017: 135.084.442 shares). The nominal value per share is 1 TL (31 December 2017: per share 1 TL).

Restricted reserves and retained earnings

Legal reserves

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

Retained earnings

The Ordinary General Assembly of 2017 has been held on 27 March 2018, the decisions to pay TL 67.542.221 of dividend (2017: TL 191.819.908) and to allocate TL 6.078.800 of "Legal reserves" (2017: TL 18.506.569) and TL 154.730.921 "Extraordinary reserves" (2017: TL 35.692.976) were unanimously approved and decided to pay by 29 March 2018.

Profit distribution

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

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

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

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

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

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

As of 31 December 2018 and 31 December 2017, the composition of consolidated legal reserves, extraordinary reserves, accumulated profit, share premiums and other reserves existing in the statutory records of the Company can be summarized as follows:

	31 December 2018	31 December 2017
Legal reserves	193.104.976	187.026.176
Other capital reserves (*)	52.435.267	52.435.267
Extraordinary reserves	437.867.476	323.285.999
Accumulated profit due to inflation difference	(228.519.540)	227.764.716
Share premiums	30.131	30.131
Special funds	(83.001.513)	(13.381.575)
	371.916.797	**777.160.714**

(*) In accordance with dividend principles belonging to 2017 and approved in Ordinary General Assembly held on March 27, 2018, it is decided to allocate TL 154.692.976 of TL 228.730.492, which is net distributable profit of the period included in legal records prepated in accordance with Tax Procedure Law, as Extraordinary Reserve and Legal Reserve respectively.

Foreign currency translation differences

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

Non-controlling interests

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

Available for sales financial assets revaluation reserve

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

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018			31 December 2017		
	Fair Value			Fair value		
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
Short term derivative financial instruments						
Hedging against impaired risk						
Cross Currency Swap	90.420.000	-	22.000.136	-	-	
Hedging against cash flow risk						
Forward foreign exchange transactions	131.213.033	22.511.102	-	59.962.424	-	4.056.926
Marketable securities						
Forward foreign exchange transactions	68.082.233	-	19.561.894	58.853.880	3.581.475	-
Total short term derivative financial insturments		**22.511.102**	**41.562.030**		**3.581.475**	**4.056.926**
Long term derivative financial instruments						
Hedging against impaired risk						
Interest rate swap	221.267.267	1.395.978	-	248.352.500	-	798.156
Hedging against cash flow risk						
Forward foreign exchange transactions	153.185.034	55.936.459	-	189.498.620	6.794.411	-
Marketable securities						
Forward foreign exchange transactions	153.185.034	-	55.936.459	189.498.620	-	6.794.412
Total long term derivative financial instruments		**57.332.437**	**55.936.459**		**6.794.411**	**7.592.568**
Total derivative financial instruments		**79.843.539**	**97.498.489**		**10.375.886**	**11.649.495**

As of December 31, 2018, the Group has realized 42 million sell Euro buy Turkish Lira forward transaction with maturity of 5 years expired on March 29, 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

As of December 31, 2018, the Group has realized 42 million nominal value sell Turkish lira buy Euro forward transaction with maturity of 5 years expired on March 29, 2022. Changes arising from forward transactions are recognized in the consolidated statement of profit or loss.

As of December 31, 2018, interest rate swap transactions consist of swap transactions in which Çimsa's long term borrowings of EUR 42 million of floating rates are replaced with fixed installment payments to hedge against cash flow risk. Changes arising from interest rate swap transactions are recognized in the statement of change in shareholder's equity considering the deferred tax effect.

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

20. REVENUE

Sales	1 January- 31 December 2018	1 January- 31 December 2017
Domestic sales	1.081.030.595	1.092.191.085
Export sales	869.404.499	561.229.724
Sales discounts (-)	(42.726.383)	(37.195.060)
Other deductions (-)	(207.750.656)	(125.645.875)
	1.699.958.055	**1.490.579.874**
Cost of sales (-) (Note:21)	**(1.293.977.441)**	**(1.095.690.025)**
Gross income	**405.980.614**	**394.889.849**

21. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January – 31 December 2018 and 2017 is as follows:

Cost of sales (-)

Cost of sales	1 January- 31 December 2018	1 January- 31 December 2017
Direct material and supplies expenses	(503.033.981)	(401.630.174)
Energy costs	(466.365.193)	(347.817.990)
Other production expenses	(134.853.580)	(159.444.794)
Depreciation and amortization expenses	(106.181.039)	(79.193.926)
Direct labor cost	(71.584.320)	(63.324.236)
Total production cost	**(1.282.018.113)**	**(1.051.411.120)**
Change in work-in-process	36.888.736	(15.861.240)
Change in finished goods	16.184.391	2.759.771
Inventory impairment provision (Note 9)	(168.305)	(130.802)
Cost of trade goods sold and other	(64.864.150)	(31.046.634)
	(1.293.977.441)	**(1.095.690.025)**

The detail of general administration expenses for the periods between 1 January – 31 December 2018 and 2017 is as follows:

General administration expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(39.224.293)	(33.182.695)
Consultancy expenses	(24.882.339)	(13.109.058)
Tax, duty and charges	(8.275.046)	(6.937.384)
IT expenses	(5.940.324)	(3.765.772)
Retirement pay provisions	(6.917.478)	(3.316.895)
Rent expenses	(5.120.836)	(2.211.719)
Travel expenses	(4.711.907)	(2.798.197)
Representation expenses	(2.499.883)	(2.896.939)
Communication and advertising expenses	(2.319.313)	(2.097.567)
Depreciation and amortization expenses	(2.511.175)	(2.080.361)
Insurance expenses	(1.777.951)	(1.729.727)
Maintenance expenses	(517.809)	(713.684)
Other miscellaneous expenses	(3.925.023)	(4.986.883)
	(108.623.377)	**(79.826.881)**

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

21. OPERATING EXPENSES BY NATURE (continued)

The detail of marketing, selling and distribution expense for the periods between 1 January – 31 December 2018 and 2017 is as follows:

Marketing, selling and distribution expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(7.801.229)	(6.046.209)
Travel expenses	(1.615.290)	(1.289.130)
Insurance expenses	(759.594)	(491.143)
Rent expenses	(835.923)	(464.272)
Consultancy expenses	(391.473)	(271.673)
Representation expenses	(274.434)	(230.602)
Depreciation and amortization expenses	(235.139)	(220.172)
Communication and advertising expenses	(108.075)	(112.775)
Other miscellaneous expenses	(2.199.961)	(1.858.219)
	(14.221.118)	**(10.984.195)**

The detail of research and development expenses for the periods between 1 January – 31 December 2018 and 2017 is as follows:

Research and development expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(2.489.023)	(743.980)
Travel expenses	(331.046)	(239.454)
Outsourced benefits and services	(111.882)	(58.236)
Depreciation and amortization expenses	(89.152)	(63.384)
Rent expenses	(40.261)	(26.587)
Maintenance expenses	(20.595)	(2.225)
Transportation expenses	(5.611)	(6.896)
Representation expenses	(4.118)	(14.399)
Other miscellaneous expenses	(759.780)	(402.295)
	(3.851.468)	**(1.557.456)**

22. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange gain from operating activities	87.724.619	45.942.983
Overdue and interest income from operating activities	2.245.872	936.473
Provisions no longer required (Note 6/14)	1.614.870	1.630.117
Premiums and incentives received	422.183	743.078
Sales of scrap and miscellaneous material	-	3.297.395
Insurance damage compensation income	-	1.051.695
Other income	6.185.068	1.664.048
	98.192.612	**55.265.789**

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

22. OTHER OPERATING INCOME AND EXPENSES (continued)

Other operating expense	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange loss from operating activities	(38.564.850)	(14.882.739)
Provision expenses (Note 6/14)	(9.597.329)	(3.253.621)
Compensation and penalty expenses	(3.326.248)	(2.460.779)
Interest expense of retirement pay provision (Note 16)	(1.034.352)	(868.692)
Litigation, levy and court paid expenses	(300.511)	-
Donations and grants	(271.341)	(129.066)
Other expenses	(8.695.595)	(6.540.339)
	(61.790.226)	**(28.135.236)**

23. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities	1 January- 31 December 2018	1 January- 31 December 2017
Fixed assets sales income (*)	28.279.013	48.587.152
Rent income	5.500.565	3.198.898
Dividend income	-	19.761
	33.779.578	**51.805.811**

Expense from investment activities	1 January- 31 December 2018	1 January- 31 December 2017
Fixed asset sales expense	(8.354)	(409.865)
	(8.354)	**(409.865)**

(*) Fixed assets sales income is related to the ongoing sale of the old factory land of Afyon, which has sales transfer transactions completed as of December 31, 2018.

24. FINANCIAL INCOME / EXPENSE

Financial income	1 January- 31 December 2018	1 January- 31 December 2017
Interest income	5.141.861	2.728.922
Total financial income	**5.141.861**	**2.728.922**

Financial expenses	1 January- 31 December 2018	1 January- 31 December 2017
Interest expenses of bank borrowings	(139.443.432)	(85.858.599)
Foreign exchange loss on bank borrowings	(76.268.267)	(13.122.788)
Other financial expenses	(2.476.679)	(3.334.410)
Total financial expenses	**(218.188.378)**	**(102.315.797)**

25. INCOME TAXES

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

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

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

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

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2018 and 2017, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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

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

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

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

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

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

25. INCOME TAXES (continued)

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

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2018 and 2017, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statement.

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

As of 31 December 2018 and 31 December 2017, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

Assets related to the current period taxes	31 December 2018	31 December 2017
Prepaid taxes and funds	2.526.430	3.606.207
	2.526.430	**3.606.207**

Corporate tax payable	31 December 2018	31 December 2017
Current period corporate tax provision	(11.217.802)	(37.674.035)
Prepaid taxes and funds (-)	5.106.303	28.426.344
	(6.111.499)	**(9.247.691)**

Tax (expense)/income	1 January- 31 December 2018	1 January- 31 December 2017
Current period corporate tax (expense)/income	(11.217.802)	(37.674.035)
Deferred tax (expense)/income	(10.036.216)	(10.986.875)
	(21.254.018)	**(48.660.910)**

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

25. INCOME TAXES (continued)

Detail of deferred tax assets and liabilities of the Group as of December 31, 2018 and December 31, 2017 is as follows:

Deferred tax assets:	**31 December 2018**	**31 December 2017**
Tax losses carried forward	9.686.657	3.367.977
Provision for employee benefits	1.792.720	6.417.496
Recultivation provision	805.203	597.030
Provision for doubtful receivables	7.764.268	869.614
Investment allowance	5.110.370	867.830
Provision for litigations	3.685.602	2.899.924
Fair value of derivative financial instruments	3.049.594	114.109
Inventory impairment provision	755.307	942.363
Rediscount of receivables	272.248	1.436.762
Other	3.673.448	3.879.430
	36.595.417	21.392.535
Deferred tax liabilities:		
Goodwill	(24.589.322)	(24.589.322)
Property, plant and equipment and intangible assets	(20.677.588)	(19.751.579)
Fair value of derivative instruments	-	(2.474.171)
Rediscount of payables and borrowings	(1.289.005)	(413.203)
	(46.555.915)	(47.228.275)
Net deferred tax asset / (liability)	**(9.960.498)**	**(25.835.740)**

The balance sheet presentation of the deferred tax (assets) / liabilities	**31 December 2018**	**31 December 2017**
Deferred tax (assets)	40.740.895	7.414.569
Deferred tax liabilities	(50.701.393)	(33.250.309)
	(9.960.498)	**(25.835.740)**

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

25. INCOME TAXES (continued)

Deferred tax (assets)/ liabilities movement	**31 December 2018**	**31 December 2017**
Opening balance	25.835.740	18.142.491
Deferred tax (income)/expense	10.036.216	10.986.875
Accounted under other comprehensive income	(20.507.481)	(1.649.839)
Currency translation difference	(5.403.977)	(1.643.787)
Closing balance	**9.960.498**	**25.835.740**

Tax reconciliation:	**31 December 2018**	**31 December 2017**
Profit before taxation	175.110.867	295.945.663
Effective statutory income tax rate	%22	%20
Tax expense at the effective statutory income tax rate	(38.524.391)	(59.189.133)
Reconciliation of tax provision calculated with deductible:		
-Non-deductible expenses	(1.156.403)	(476.714)
-Investment allowance (*)	5.110.370	867.830
-Tax exemption from sale of Afyon land	1.596.760	9.046.046
-Tax rate change effect (22%-20%)	(3.502.217)	1.063.138
-Effect of the profit from investments accounted by equity method	8.513.807	2.896.944
-Other	6.708.056	(2.869.021)
Tax expense in the income statement	**(21.254.018)**	**(48.660.910)**

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

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

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

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

26. EARNINGS PER SHARE

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

	1 January- 31 December 2018	1 January- 31 December 2017
Number of shares	135.084.442	135.084.442
Profit attributable to equity holders of the parent – TL	154.925.532	228.351.942
Dividend per share with nominal value of 1 Kr – TL	1,1469	1,6904

Dividends distributed per share:

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

Dividend amount distributed	67.542.221
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	0,5000

The dividend per share distributed in 2017 from 2016 profit is stated below:

Dividend amount distributed	191.819.908
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	1,4200

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

27. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity's financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 December 2018 and 31 December 2017 and the related party transactions for the years ended 31 December 2018 and 31 December 2017 are mainly as follows:

Short-term trade receivables from related parties

	31 December 2018	31 December 2017
Enerjisa Enerji A.Ş. (2)	10.177	-
Teknosa(2)	5.220	5.220
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	3.100	3.580.368
	18.497	**3.585.588**

(1) Parent company
(2) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.
(3) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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

27. RELATED PARTY DISCLOSURES (continued)

Other receivables to related parties

	31 December 2018	31 December 2017
Ak Finansal Kiralama A.Ş.	223.504	-
Avivasa Emeklilik Hayat A.Ş.	25.093	-
	248.597	**3.585.588**

Short-term trade payables to related parties

	31 December 2018	31 December 2017
Enerjisa Enerji A.Ş. (2) (*)	58.562.205	11.953.803
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	12.441	46.008
	58.574.646	**11.999.811**

Other payables to related parties (short term)

	31 December 2018	31 December 2017
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. (2)	1.319.525	785.850
Teknosa (3)	64.390	8.907
Aksigorta A.Ş. (3)	3.504	85.600
Other	185.504	21.727
	1.572.923	**902.084**

Bank balances deposited in related parties

	31 December 2018	31 December 2017
Akbank T.A.Ş. (2)	199.233.840	122.913.809
	199.233.840	**122.913.809**

Borrowings from related parties

	31 December 2018	31 December 2017
Akbank T.A.Ş.(2)	283.145.528	250.154.691
	283.145.528	**250.154.691**

Sales to related parties

	1 January- 31 December 2018	1 January- 31 December 2017
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	934.704	3.026.815
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. (2)	12.658	5.000
Teknosa(2)	4.207	-
	951.569	**3.031.815**

(1) Parent company
(2) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.
(3) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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

27. RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

	1 January- 31 December 2018	1 January- 31 December 2017
Enerjisa Enerji A.Ş. (2)	131.156.473	70.039.793
Enerjisa Üretim Santralleri A.Ş.	-	424.944
Aksigorta A.Ş. (3)	5.878.859	2.868.642
Bimsa Uluslararası İş Bilgi ve Yön. Sis. A.Ş.(2)	4.580.613	3.851.779
Avivasa Emeklilik ve Hayat A.Ş. (3)	289.039	256.108
CarrefourSA (3)	227.170	164.605
Hacı Ömer Sabancı Holding. A.Ş.(1)	133.046	26.188
Teknosa (2)	125.427	56.789
Akçansa Çimento Sanayi ve Ticaret A.Ş.(3)	48.492	363.647
Other	-	219.600
	142.439.119	**78.272.095**

The Group is purchasing finished goods from Akçansa Çimento Sanayi ve Ticaret A.Ş. and electric energy from Enerjisa Enerji A.Ş. and services from other associated companies.

Interest income from related parties

	1 January- 31 December 2018	1 January- 31 December 2017
Akbank T.A.Ş. (2)	1.847.295	1.609.334
	1.847.295	**1.609.334**

Interest expenses from related parties

	1 January – 31 December 2018	1 January – 31 December 2017
Akbank T.A.Ş. (2)	(36.010.032)	(19.605.975)
	(36.010.032)	**(19.605.975)**

Compensation benefits to the top management

Total amount of compensation benefits paid to the Chairman and the members of the Board of Directors, general manager, general coordinator and deputy general managers, is 14.002.242 (31 December 2017 – TL 8.944.001). The contributions paid to Social Security Institution are TL 1.238.993 (31 December 2017 – TL 433.573).

(1) Parent company
(2) Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.
(3) Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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

28. FOREIGN CURRENCY RISK

As of 31 December 2018 and 31 December 2017, the Group's foreign currency position in terms of the original currency is as follows:

	31 December 2018				31 December 2017			
	TL Equivalent (Functional Currency)	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**	**TL Equivalent (Functional Currency)**	**USD (Original Currency)**	**EUR (Original Currency)**	**GBP (Original Currency)**
Trade receivables	140.255.187	19.951.155	5.855.036	-	146.088.365	29.729.769	7.518.691	-
Monetary financial assets	93.431.849	10.812.670	5.711.806	318.167	57.718.303	7.440.480	6.567.059	-
Current Assets	**233.687.036**	**30.763.825**	**11.566.842**	**318.167**	**203.806.668**	**37.170.249**	**14.085.750**	**-**
TOTAL ASSET	**233.687.036**	**30.763.825**	**11.566.842**	**318.167**	**203.806.668**	**37.170.249**	**14.085.750**	**-**
Trade payables	49.166.246	8.722.170	544.091	-	76.566.806	17.793.169	2.093.401	-
Financial liabilities	1.480.471.752	40.766.192	84.721.721	-	380.261.200	23.000.000	65.000.000	-
Short Term Liabilities	**1.529.637.998**	**49.488.362**	**85.265.812**	**-**	**456.828.006**	**40.793.169**	**67.093.401**	**-**
TOTAL LIABILITIES	**1.529.637.998**	**49.488.362**	**85.265.812**		**456.828.006**	**40.793.169**	**67.093.401**	**-**
Off balance sheet derivative financial instruments net asset/liability position	**253.530.591**	**-**	**42.058.824**		**249.461.044**	**293.895**	**55.000.000**	**-**
Off-balance sheet derivative assets denominated in foreign currencies	(253.530.591)	-	(42.058.824)		(249.461.044)	(293.895)	(55.000.000)	-
Net foreign currency asset liability position	**(1.042.420.371)**	**(18.724.537)**	**(31.640.146)**	**318.167**	**(3.560.296)**	**(3.329.025)**	**1.992.349**	**-**
Net foreign currency asset / liability position for monetary items	**(1.295.950.962)**	**(18.724.537)**	**(73.698.970)**	**318.167**	**(253.021.337)**	**(3.622.920)**	**(53.007.651)**	**-**
Off-balance sheet derivative assets denominated in foreign currencies								
Net asset / liability position	(1.885.501)	(121.843)	(206.453)		(5.397.435)	(475.452)	(798.157)	-
Hedged foreign currency assets	(254.925.823)	(265.208)	(42.058.824)		(249.461.044)	(293.895)	(55.000.000)	-
Export	705.508.548	84.825.592	41.179.979		444.626.813	69.780.644	38.312.602	1.657.510
Import	197.975.631	34.206.628	2.989.048		127.747.710	24.926.463	8.955.017	9.652

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

28. FOREIGN CURRENCY RISK (continued)

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

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

	Profit /Loss		**Equity**	
31 December 2018	**Foreign currency appreciation**	**Foreign currency depreciation**	**Foreign currency appreciation**	**Foreign currency depreciation**
1- USD net assets / liabilities	(9.850.791)	9.850.791	(9.850.791)	9.850.791
2- Hedged portion of USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(9.850.791)	9.850.791	(9.850.791)	9.850.791
4- Net EUR assets/liabilities	(44.425.739)	44.425.739	(44.425.739)	44.425.739
5- Hedged portion of EUR risk (-)	25.353.059	(25.353.059)	25.353.059	(25.353.059)
6- EUR net effect (4+6)	(19.072.680)	19.072.680	(19.072.680)	19.072.680
7- Net GBP assets/liabilities	211.670	(211.670)	211.670	(211.670)
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	211.670	(211.670)	211.670	(211.670)
TOTAL (3+6+9)	**(28.711.801)**	**28.711.801**	**(28.711.801)**	**28.711.801**

	Profit /Loss		**Equity**	
31 December 2017	**Foreign currency appreciation**	**Foreign currency depreciation**	**Foreign currency appreciation**	**Foreign currency depreciation**
1- USD net assets / liabilities	(1.366.529)	1.366.529	(1.366.529)	1.366.529
2- Hedged portion of USD risk (-)	(110.854)	110.854	(110.854)	110.854
3- USD net effect (1+2)	(1.477.383)	1.477.383	(1.477.383)	1.477.383
4- Net EUR assets/liabilities	(23.935.605)	23.935.605	(23.935.605)	23.935.605
5- Hedged portion of EUR risk (-)	24.835.250	(24.835.250)	24.835.250	(24.835.250)
6- EUR net effect (4+6)	899.645	(899.645)	899.645	(899.645)
7- Net GBP assets/liabilities	-	-	-	-
8- Hedged portion of GBP risk (-)	-	-	-	-
9- GBP net effect (9+10+11)	-	-	-	-
TOTAL (3+6+9)	**(577.738)**	**577.738**	**(577.738)**	**577.738**

Interest rate risk management

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

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

28. FOREIGN CURRENCY RISK (continued)

The Group's interest rate sensitive financial instruments are as follows:

Interest position table

	31 December 2018	31 December 2017
Fixed rate instruments		
Time deposits	122.990.970	104.892.975
Loans	1.079.816.656	1.128.484.891
Variable rate financial instruments		
Loans (*)	400.655.096	248.352.500

(*) The Group has made interest rate swap transactions in order to hedge its cash flow risk for the long term loan with floating interest rate.

29. AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Available for sale financial assets at fair value designated through other comprehensive income/loss:

	31 December 2018		31 December 2017	
Company	**Percentage of ownership (%)**	**Amount**	**Percentage of ownership (%)**	**Amount**
Mesbaş Mersin Serbest Böl. İşl. A.Ş. (Mesbaş)	0,41	52.712	0,41	52.712
Anfas Antalya Fuarcılık A.Ş. (Anfas)	0,02	11.766	0,02	11.766
		64.478		**64.478**

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Capital management

The Group manages its capital by maintaining permanence of its operations and on the other hand by reviewing terms of the trade receivables, trade payables and financial liabilities and cash from operations by using the debt and equity ratio in the most efficient way. The Group's top management evaluates the cost of capital and the risks which are associated with every equity account, and presents to Board of Directors those which depend on their decision. The Group's objective is to maintain the stability of capital structure by taking new debts or repayment of debts and also via dividend payments, depending on the decisions of Board of Directors.

The Group follows the debt to equity ratio in the capital management in parallel with other companies in the sector. Net debt is calculated by dividing net debt to total equity. Net debt/ equity ratios at 31 December 2018 and 31 December 2017 are as follows:

	Note	31 December 2018	31 December 2017
Total financial borrowings	7	1.480.471.752	1.376.837.391
Less: Cash and cash equivalents	5	217.427.133	204.303.367
Net debt		1.263.044.619	1.172.534.024
Equity		1.451.479.380	1.422.349.811
Total liabilities		**2.714.523.999**	**2.594.883.835**
Net debt / Equity ratio (%)		87%	82%

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk factors

The Group's principal financial instruments are cash, short-term time deposits and bank borrowings. The main purpose of use of these financial instruments is to raise finance for the Group's operations and to hedge interest rate risk. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. As explained below, the Board of Directors is responsible from the procedures necessary to follow and manage these risks.

c. Credit risk management

The majority of the trade receivables are guaranteed by the bank letters and / or credit limits. The credit reviews are performed continuously over the accounts receivable balances of the customers. The Group does not have a significant credit risk arising from any customer.

The aging of the assets that are overdue but not subject to any impairment as of 31 December 2018 is as follows:

31 December 2018	Receivables: Trade Receivables	Receivables: Other Receivables	Demand deposit	Derivative Financial Instruments	Other	Total
Overdue 1-30 days	13.930.594	-	-	-	-	13.930.594
Overdue 1-3 months	4.992.966	-	-	-	-	4.992.966
Overdue 3-12 months	24.832.848	-	-	-	-	24.832.848
Total overdue receivables	43.756.408	-	-	-	-	43.756.408
Secured part via collateral etc.	29.244.584	-	-	-	-	29.244.584

31 December 2017	Receivables: Trade Receivables	Receivables: Other Receivables	Demand deposit	Derivative Financial Instruments	Other	Total
Overdue 1-30 days	44.457.120	-	-	-	-	44.457.120
Overdue 1-3 months	175.987	-	-	-	-	175.987
Overdue 3-12 months	363.766	-	-	-	-	363.766
Total overdue receivables	44.996.873	-	-	-	-	44.996.873
Secured part via collateral etc.	25.208.343	-	-	-	-	25.208.343

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c .Credit risk management (continued)

The credit risk of the Group for each financial instrument type is as follows:

	Receivables						
	Trade Receivables		Other Receivables		Bank Deposits		
31 December 2018	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party	Derivative Financial Instruments
Maximum credit exposures as of report date (1) (A+B+C+D+E)	18.497	420.638.963	248.597	5.028.189	199.233.840	6.776.260	79.843.539
Secured Part of maximum credit risk exposure via collateral etc.	-	689.771.272	-	-	-	-	-
A. Net book value fo the finacial assests that are neither overdue nor impaired (2)	18.497	376.882.555	248.597	5.028.189	199.233.840	6.776.260	79.843.539
B. Carrying amount of financial assests that are renegotiated , otherwise classifed as overdue or impaired (3)	-	-	-	-	-	-	-
C. Net book value of financial assets thta are overdue but not impaired	-	43.756.408	-	-	-	-	-
- Secured part via collateral etc.	-	29.244.584	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	18.698.305	-	753.646	-	-	-
- Impairment (-)	-	(18.698.305)	-	(753.646)	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-Balance sheet fianancial assets exposed to credit risk	-	-	-	-	-	-	-

(1) When determining the amount, the guarantees received and factors increasing the credibility are not considered.
(2) The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.
(3) The Group did not have any collection problems with these customers in the past.

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c .Credit risk management (continued)

	Receivables						
	Trade Receivables		Other Receivables		Bank Deposits		
31 December 2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Derivative Financial Instruments**
Maximum credit exposures as of report date (1) (A+B+C+D+E)	3.585.588	527.175.880	-	22.924.283	122.913.809	62.704.087	10.375.886
Secured Part of maximum credit risk exposure via collateral etc.	-	369.889.000	-	-	-	-	-
	-	-	-	-		-	-
A. Net book value fo the finacial assests that are neither overdue nor impaired (2)	3.585.588	482.179.007	-	22.924.283	122.913.809	62.704.087	10.375.886
	-	-	-	-		-	-
B. Carrying amount of financial assests that are renegotiated , otherwise classifed as overdue or impaired (3)	-	-	-	-	-	-	-
	-		-	-		-	-
C. Net book value of financial assets thta are overdue but not impaired	-	44.996.873	-	18.854.399	-	-	-
- Secured part via collateral etc.	-	24.975.484	-	232.859	-	-	-
	-	-	-	-		-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	10.764.929	-	753.646	-	-	-
- Impairment (-)	-	(10.764.929)	-	(753.646)	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
- Not Overdue (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-	-
E. Off-Balance sheet fianancial assets exposed to credit risk	-	-	-	-	-	-	-

(1) When determining the amount, the guarantees received and factors increasing the credibility are not considered.
(2) The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.
(3) The Group did not have any collection problems with these customers in the past.

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

d. Foreign currency risk management

When necessary, the Group enters into derivative transactions to manage its exchange rate exposures. In this context, the Group's main preference is foreign currency forward transactions. The Group manages foreign currency purchase / sale forward contracts with maturities less than one year. The details of unrealized foreign currency purchase/sale forward contracts as of the date of the report are disclosed in Note 19.

e. Interest rate risk management

The Group is exposed to the interest rate risk through the impact of interest rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities The Group has fixed the interest rate of "2.15% + Eurlibor" variable interest rate in Euro terms with "2.15% + 0.30%"

f. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The current and prospective risk of funding the debts is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of derivative and non-derivative financial assets and liabilities according to their maturities is disclosed considering the period elapsed from balance sheet date to due date.

31 December 2018

Contractual maturities	Net Book Value	Contractual Total Cash Outflow (I+II+III+IV)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More Than 5 Years (IV)
Bank Borrowings	1.480.471.752	1.621.075.117	478.828.492	621.609.687	520.636.938	-
Trade Payables	296.068.427	298.122.936	298.122.936	-	-	-
Other Payables, Liabilities and Deferred Income	37.232.188	37.232.188	37.232.188	-	-	-
Total liabilities	**1.813.772.367**	**1.956.430.241**	**814.183.616**	**621.609.687**	**520.636.938**	**-**
Derivative financial liabilities						
Unrealized purchase / sale commitments (net)	97.498.489	97.498.489	-	-	97.498.489	-
Derivative cash entries	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-
	97.498.489	**97.498.489**	**-**	**-**	**97.498.489**	**-**

31 December 2017

Contractual maturities	Net Book Value	Contractual Total Cash Outflow (I+II+III+IV)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More Than 5 Years (IV)
Bank Borrowings	1.376.837.391	1.434.155.791	453.009.914	431.397.103	548.085.546	1.663.227
Trade Payables	290.746.264	291.544.235	291.544.235	-	-	-
Other Payables, Liabilities and Deferred Income	25.410.030	25.410.030	25.410.030	-	-	-
Total liabilities	**1.692.993.685**	**1.751.110.056**	**769.964.179**	**431.397.103**	**548.085.546**	**1.663.227**
Derivative financial liabilities						
Unrealized purchase / sale commitments (net)	475.452	475.452	-	-	475.452	-
Derivative cash entries	798.156	798.156	-	-	798.156	-
Derivative cash outflows	-	-	-	-	-	-
	1.273.608	**1.273.608**	**-**	**-**	**1.273.608**	**-**

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

31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

The classification and fair value of the financial instruments

31 December 2018	**Cash and cash equivalents**	**Loans and receivables**	**Available for sale financial assets**	**Financial liabilities at financial cost**	**Derivative financial instruments accounted under equity**	**Derivative financial instruments through income statement**	**Carrying value**	**Note**
Financial assets								
Cash and cash equivalents	217.427.133	-	-	-	-	-	217.427.133	5
Trade receivables	-	420.657.460	-	-	-	-	420.657.460	6
Financial investments	-	-	64.478	-	-	-	64.478	29
Other financial assets	-	15.729.110	-	-	-	-	15.729.110	8/10
Derivative financial assets	-	-	-	-	79.843.539	-	79.843.539	19
Financial liabilities								
Financial liabilities	-	-	-	1.480.471.752	-	-	1.480.471.752	7
Trade payable	-	-	-	296.068.427	-	-	296.068.427	6
Other financial liabilities	-	-	-	37.232.188	-	-	37.232.188	8/10/17
Derivative financial liabilities	-	-	-	-	-	97.498.489	97.498.489	19
31 December 2017								
Financial assets								
Cash and cash equivalents	204.303.367	-	-	-	-	-	204.303.367	5
Trade receivables	-	530.761.468	-	-	-	-	530.761.468	6
Financial investments	-	-	64.478	-	-	-	64.478	29
Other financial assets	-	30.676.075	-	-	-	-	30.676.075	8/10
Derivative financial liabilities	-	-	-	-	10.375.886	-	10.375.886	19
Financial liabilities								
Financial liabilities	-	-	-	1.376.837.391	-	-	1.376.837.391	7
Trade payable	-	-	-	290.746.264	-	-	290.746.264	6
Other financial liabilities	-	-	-	17.410.030	-	-	17.410.030	8/10/17
Derivative financial liabilities	-	-	-	-	-	11.649.495	-	19

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

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

The classification and fair value of the financial instruments

The Company estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. However, market data, and judgment is required to estimate the fair values. As a result, the estimates presented here, may not be an indicative of the amounts by which the Company could obtain in a current market transaction.

Financial assets- The fair values of certain financial assets carried at cost, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for doubtful receivables is estimated to be their fair values.

Financial liabilities- Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of long-term bank borrowings with variable interest rates are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The fair values of long-term bank borrowings with fixed interest rates considered to approximate their respective carrying values due to the fact that fixed rate is the rate applicable as of balance sheet date. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

Fair value hierarchy table

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows;

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of 31 December 2018, the fair value hierarchy table of the Company's assets and liabilities at fair value are as follows:

<u>**Financial assets and liabilities at fair value**</u>		**The level of fair value at the reporting date**		
	31 December 2018	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value through income/loss				
Derivative financial assets	79.843.539		79.843.539	
Derivative financial liabilities	(41.562.030)	-	(41.562.030)	-
Financial assets and liabilities at fair value through other comprehensive income/loss				
Available for sale financial assets	64.478	-	-	64.478
Derivative financial liabilities	(55.936.459)	-	(55.936.459)	-
Total	**(17.590.472)**		**(17.654.950)**	**64.478**

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

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

Financial assets and liabilities at fair value		The level of fair value at the reporting date		
	31 December 2017	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through income/loss				
Derivative financial assets	10.375.886		10.375.886	
Derivative financial liabilities	(475.452)	-	(475.452)	-
Financial assets and liabilities at fair value through other comprehensive income/loss				
Available for sale financial assets	64.478	-	-	**64.478**
Derivative financial liabilities	(11.174.043)	-	(11.174.043)	-
Total	**(1.209.131)**		**(1.273.609)**	**64.478**

Fair value of financial instruments

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

Monetary assets

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

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

Monetary liabilities

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

	31 December 2018 2017	31 December 2017
Fair value difference reflects other comprehensive income / loss derivative financial assets and liabilities (*)	(97.498.489)	(12.370.855)
Total	**(97.498.489)**	**(12.370.855)**

	31 December 2018	31 December 2017
Fair value difference reflects over income / loss financial	79.843.539	10.375.886
Total	**79.843.539**	**10.375.886**

(*) Derivative instruments detailed in Note 19 consist of forward purchase / sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of December 31, 2018, the revaluation amount of the Group's hedged transactions is TL 75.387.265, which is presented in the consolidated statement of financial position as "Derivative financial assets" and "Equity"

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

Fair value of financial instruments (continued)

Fair value measurement hierarchy table

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

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

32. SUBSEQUENT EVENTS

None