Transforming for the Future

ÇiMSA

2019 INTEGRATED ANNUAL REPORT
ABOUT THE INTEGRATED ANNUAL REPORT

QUALITY, PERIOD AND EXTENT OF THE REPORT
With this report, Çimsa reviews the current output of its activities and its future plans and goals in the scope of the capital framework proposed by the IIRC (International Integrated Reporting Council) of which it has been a member for 5 years. The Company also views, analyses and reports to its stakeholders from an integrated perspective.

This integrated annual report covers the period from 1 January - 31 December 2019.

All information in the integrated Annual Report, which also includes the Annual Report of the Board of Directors, refers to the end of 2019 unless otherwise stated.

PUBLICATION OF THE REPORT
Ensuring that the integrated annual report is accessible by all stakeholders is crucial and a top priority for Çimsa. Within this framework, the report was produced under an environmentally friendly perspective and was shared electronically. The report can be accessed from the www.cimsa.com.tr website and through the link on Sustainability and Investor Relations, as well as through Çimsa’s sustainability website: www.cimsadasurduzelliklik.org

COMPLIANCE WITH LEGISLATION AND THE REGULATORY FRAMEWORK
This report complies with the International Integrated Reporting Framework suggested by the IIRC.

The report has been prepared in accordance with the core option of the GRI Standards published by the Global Reporting Initiative (GRI). The content of the report has been compiled according to the methods for content determination, primarily the principle of prioritization, described in the GRI Standards.

Performance notifications were generally presented in the scope of the GRI Standards disclosures, as well as the United Nations Global Compact (UNGC) development reporting principles, which Çimsa signed up to in 2013, and the principles of the World Business Council For Sustainable Development (WBCSD)’s Cement Sustainability Initiative (CSI) were also taken into consideration.

The 2019 Integrated Annual Report of Çimsa is also in accordance with the minimum annual reporting requirements of the Turkish Code of Commerce and the Capital Market Law.

AUDIT
The financial statements presented in Çimsa’s 2019 Integrated Annual Report were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Muşavîrlık A.Ş. (Ernst&Young). Independent Assurance Declarations concerning other matters are presented on Pages 222-224.

To access the PDF copy of Çimsa’s 2019 Integrated Annual Report, scan the QR code in your browser.

Legal Disclaimer:
Çimsa 2019 Integrated Annual Report (‘The Report’) was prepared by Çimsa Çimento San. ve Tic. A.Ş. (Çimsa) in accordance with the requirements of informing stakeholders, the Turkish Code of Commerce (TTK), Capital Markets Board of Turkey (SPK), UNGC Progress Report, CSI, IIRC and the GRI (Global Reporting Initiative) reporting principles.

All the information, opinions and considerations which are included in this Report and do not qualify to be complete, were provided by Çimsa and were not independently verified for the purposes of this Report. This report is for information purposes only and does not constitute any foundation for any investment decision, nor it is intended to influence investors in any decisions they may make. The information contained in this Report does not constitute any proposal, part of proposal, or invitation for a similar sales process regarding sales of Çimsa shares, and the publication of this report can not be deemed as the establishment of such a legal relationship.

As of the preparation date of this report, it is believed that all the information and the related documents included in the report are accurate, and the information is disclosed in good faith and depends on reliable sources. However, Çimsa does not make any statements, guarantees, or commitments regarding this information. The report also reflects the views of Çimsa Management, including forward-looking expectations in line with the predicted events in the future, as well as information and analyses about the company. Although it is believed that the information and analyses provided here are accurate and the expectations are realistic, the outcomes in the future may deviate from the predictions herein depending on the changes in the underlying factors. In this context, neither Çimsa, its affiliated companies, subsidiaries, main company/holding nor their members of the board of directors, executives, consultants, employees or other related parties can be held responsible for any direct or indirect; losses and damages suffered as a result of any information disclosed within the scope of this Report, the use thereof or for issues based on the information herein or not included in this Report. The contents of this report cannot be copied, changed, or distributed without an open written consent of Çimsa.

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88 Prepared With Respect To Communiqué No: Series II-14.1 1 January - 31 December 2019 Annual Report of the Board of Directors

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Esteemed Stakeholders,

TURKEY RANKS AS ONE OF THE WORLD’S LEADING COUNTRIES IN TERMS OF ITS CEMENT PRODUCTION CAPACITY.

The Turkish cement industry is one of the leading players in the global league with an annual cement production capacity of 100 million tonnes. While the contraction in domestic market continued during 2019, exports in the industry recorded a 70% increase, with exports of cement and clinker reaching a historical high of 23 million tonnes according to figures released by the Turkish Cement Manufacturers’ Association. This success marks a milestone which makes us all proud. We have full belief that our industry will continue to stake its claim in the global league and with further successful moves in the future.

ÇİMSA ACCOMPLISHED SIGNIFICANT SUCCESSES IN 2019.

In 2019, Çimsa continued to generate value for its stakeholders by evaluating its resources within the scope of its efficiency-oriented business model.

Çimsa has maintained production operations at all of its plants, fully meeting the product and service requirements of its domestic customers on time with its market-oriented approach and wide distribution network.

Çimsa recorded successful financial and operational results which are in line with its goals, with clinker and cement sales exceeding 6 million tonnes. The Company has also continued to improve its export performance, being selected as the leading exporter in its industry based on 2018 figures. While the market effectiveness of our international facilities grows, their efficiency has increased with the added value following a healthy development pattern.

Our goal is to crown the relay race in terms of exports with new successes through our added value products and logistics competences, and to increase our contribution to the Turkish economy in all aspects.
ÇİMSA TOOK STRATEGIC STEPS IN 2019 IN LINE WITH SABANCI OF NEW GENERATION VISION.

Çimsa continued to take strategic steps and create value for its stakeholders in 2019 in line with the Sabancı of New Generation vision.

The projects we have undertaken on the axis of being an integrated global player, which is one of the most important components of our vision, will carry Çimsa to a position of global leadership in the field of white cement.

In the second quarter of 2019, Çimsa signed the contract for the acquisition of Buñol, a white cement plant with the most advanced production technology in Europe. The legal approval process for the acquisition Buñol Plant is still ongoing. This strategic acquisition will provide a significant contribution to Çimsa’s geographical effectiveness and spread as well as its production capacity. Our breakthrough in Spain will also play a part in moving our added value contribution to Turkish economy to a much higher point, in addition to strongly supporting shareholder value.

The Çimsa Americas investment and test production works were completed in 2019 in line with our strategic plans. Our subsidiary in the US started its commercial operations in the final quarter of 2019, and its contribution to the value Çimsa generates started to become clear.

THE VALUE WE GENERATE AND SHARE IS THE ESSENCE OF ÇİMSA’S BRAND COMMITMENT.

Our mission and values constitute the strong foundations of the Çimsa brand and the driving force of our operations.

Our sustainability approach, which is brought to life in our value generation model, drives us to fulfil our commitment to the society we are a member of, to our employees, to our shareholders and to our other stakeholders as well as our customers.

Continuing our operations as one of Turkey’s leading manufacturers, we place great importance on being a responsible corporate citizen. We adopt to being an environmentally sensitive, socially responsible, attentive employer and a business partner which keeps to its word as our main goals.

We play a part in the lives of millions of end users with our products. As a business partner, we contribute to the value generation processes of our customers, and offer the necessary support to achieve their goals.

We are focused on building the positive impact we have imbued in the cement industry with our business methodologies, R&D, digitalization investments and business processes.

Based on integrated thinking, our business model will enable us to crown our sustainable growth journey with new successes in the medium and long term, as well as in the short term.

ÇİMSA IS DETERMINED TO PROGRESS TO THE FUTURE WITH THE CONTINOUS AND POWERFUL SUPPORT OF THE SABANCI GROUP.

As we press ahead in Turkey’s growth and development journey, we are aware that we have duties and responsibilities for the future, just as in the past and the present. In addition to the Sabancı Group’s powerful support, our competent human resources and our production and trading power on a global scale will enable us to successfully fulfil the new tasks we will undertake.

I am delighted to present our fourth integrated annual report for your information and reviews, which outlines the value Çimsa has generated in 2019 for the Turkish economy and for its stakeholders. We believe we are an inspiration to many companies in Turkey given how far we have come both in terms of adopting sustainability in our business processes and in the field of integrated reporting. We also deem this success to be an achievement which contributes to our corporate governance and brand reputation.

I would like to thank all of our employees, particularly our Çimsa Management Team, who have contributed so greatly towards achieving this 2019 performance, and to our stakeholders who have energised us with their support.

Kind regards,
Dr. Tamer SAKA
Chairman of the Board of Directors
Esteemed stakeholders,

THE TURKISH ECONOMY SUCCESSFULLY COMPLETED ITS BALANCING PROCESS AGAINST A BACKDROP OF GLOBAL STAGNATION.

The global economy followed a stagnant course in 2019 as protectionist trends in trade and geopolitical risks mounted worldwide. These developments led to a synchronised slowdown in global economic activity. In line with the contraction in demand and trade, industrial production also suffered a contraction while commodity prices declined in 2019. Mounting concerns over global growth steered the central banks of leading developed markets towards expansionary monetary policies. This played a role in the establishment of a positive global conjuncture which allowed emerging countries, including Turkey, easier access to international liquidity. On the other hand, having entered a balancing period starting from the last quarter of 2018, the Turkish economy returned back to a course of growth in the third quarter of 2019.

We believe the recovery in the Turkish economy will continue in the coming period, with the economy growing at a rate close to its potential rate in 2020.

THE TURKISH CEMENT INDUSTRY MAINTAINS ITS POSITION IN THE WORLD AS ONE OF THE TOP PLAYERS.

With a cement production capacity of 100 millions of tonnes per annum, Turkey ranks as one of the world’s leading cement manufacturers. With 54 plants and 22 grinding facilities, Turkey reached a historical record in 2019, with exports totalling 23 million tonnes of cement and clinker.

Contrary to the strong performance in exports, the contraction in the domestic market continued in 2019. According to figures published by the Turkish Cement Manufacturers’ Association, which we are a member of, cement production declined by 21% in 2019 while domestic sales decreased by 29%. In the same period, approximately 20% of cement production was exported, with Turkey’s exports of cement and clinker recording a 70% increase compared to 2018.

FIRM STEPS ON THE ROAD TO GLOBAL LEADERSHIP TAKEN IN 2019

In 2019, Çimsa implemented steps that would accelerate its sustainable growth, efficiency and profitability in the short, medium and long term. The development that has marked 2019 was the signing of the contract for the acquisition of the Buñol Plant in Valencia, Spain, in a move that will support Çimsa’s vision of global leadership in the white cement sector. By adding Buñol Plant to its production network, Çimsa will rapidly increase its effectiveness in production capacity and the global white cement market, as well as strengthening its position in the Spanish and South American markets. The legal approval process for the acquisition of the Buñol Plant, which is considered as the most advanced white cement plant in Europe with its technological infrastructure, is still ongoing. The conclusive transfer is expected to be completed in 2020 and the Buñol Plant will join Çimsa’s production network.

Another key achievement in 2019 was the completion of the investment process at Çimsa Americas and its start of commercial operations. With this investment, Çimsa took a firm step towards strengthening its presence in the Americas, a key market.

While continuing to step up our exports and our effectiveness in international markets, one development that has given us great pleasure as a team is our position as the cement industry’s leading exporter in light of the 2018 figures. We aim to add to our achievements in exports with new successes through our added value products and competence...
The development that marked 2019 was the signing of the contract for the acquisition of the Buñol Plant in Valencia, Spain. This move supports Çimsa’s vision of global leadership in white cement.

in logistics, and to increase our contribution to the Turkish economy.

Çimsa maintained its production operations at all of its plants throughout the year, fully meeting the product and service requirements of its domestic customers and on time with its market-oriented approach and wide distribution network.

Çimsa continued to generate value for its stakeholders by carefully deploying its resources within the scope of its efficiency-oriented business model in 2019. Within this scope, the total clinker and cement sales exceeded 6 million tonnes, generating TL 1,726 million in sales revenues. The Company reported a gross margin of 18%, and the equity holders of the parent Çimsa wrote a net profit of TL 13.2 million. With effective cash and working capital management, working capital decreased to TL 292 million in 2019.

WE HAVE REDEFINED OUR STRATEGIC FOUNDATIONS AND CORPORATE VALUES.

Advancing into the future with nearly half a century of experience, a wide product range and innovative business approach, Çimsa is an international cement and building materials company which is focused on constantly growing by setting itself apart in its sector with its respectful approach to people and the environment. From this point of view, Çimsa re-defined its corporate values and strategic foundations in 2019.

Our promise to all of our stakeholders at Çimsa is that we will always be a brave, passionate, digital, inclusive, constantly developing, sincere and people-oriented company. In order to present the highest possible benefit to our wide stakeholder population, we have specified being a people-oriented organization, sustainability, technological and cultural transformation as our strategic foundations and it is with this awareness with which we have set out our road map for the coming period.

In 2019, Çimsa initiated the Joint Culture Management project in cooperation with Sabancı University. The project has aimed to shape the working culture which will support Çimsa’s vision, strategies and international strength with the participation of its employees.

Supporting the 2030 Agenda for Sustainable Development and having adopted the UN Sustainable Development Goals in its strategic foundations, corporate priorities and objectives, Çimsa foresees that the growth, integration process and digital transformation efforts will gain momentum with this project, which is called “One Team One Voice”.

For the sake of the accurate execution of this deeply rooted change on an institutional scale, Çimsa has started to perform its daily business cycle based on the Care Culture. The Care Culture aims to address and respond to the expectations of customers, human resources, suppliers and shareholders with an ethical, transparent, balanced and fair approach and, as a result, to ensure that sustainability is considered as a basic focus in all efforts.

WHILE LOOKING TO THE FUTURE...

Opportunities and risks will continue to emerge in a simultaneous and dynamic process on a global and national scale in 2020 and beyond. It is no mean feat to be a brand which keeps up with the digital age, uses technology in the most efficient way in all processes and always places people at the heart of what it does.

We share a strong belief that we will, as a team, take very strong steps towards achieving and accomplishing this goal as “One Team One Voice” at Çimsa. With the energy and motivation derived from this belief, we will maintain our efforts in 2020 and beyond, primarily to leave an environment which future generations can live in. In addition to our environmental efforts, we aim to grow profitably, to invest in the digital transformation and to integrate this into our business manner, to manufacture on three different continents and to have a say in the world cement industry as a global brand.

I would like to thank our team for achieving this extraordinary change and performance of 2019, and I would like to express my gratitude to our Board of Directors and to all our stakeholders for their contributions.

Ülkü ÖZCAN
CEO
BOARD OF DIRECTORS

Front row from left to right

Fatma Dilek YARDIM
Independent Member

Dr. Tamer SAKA
Chairman

Mehmet Nazmi AKDUMAN
Independent Member

Back row from left to right

Ali ÇALIŞKAN
Independent Member

Hakan TİMUR
Deputy Chairman

Gökhan EYİGÜN
Member

See page 91-92 for CV information.

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SENIOR MANAGEMENT

Front row from left to right

Vecih YILMAZ  
Vice General Manager  
(Finances and Financial Affairs)

Caner TÜRKYENER  
Vice General Manager  
(Technic)

Ülkü ÖZCAN  
CEO

Onur YAZGAN  
Vice General Manager  
(White Cement Sales and Marketing)

Back row from left to right

Fehmi Murat DERİÇİOĞLU  
Vice General Manager  
(Digital Technologies)

Tuğba ÇÖRTELEKOĞLU  
Vice General Manager  
(Human Resources)

Bahadır KEPENEK  
Vice General Manager  
(Supply Chain)

See page 93-95 for CV information
CORPORATE PROFILE

STEPPING INTO THE FUTURE THROUGH TRANSFORMATION

Having commenced its operations in 1972 at the Mersin Plant, Çimsa today operates with five integrated plants in Mersin, Eskişehir, Kayseri, Niğde and Afyonkarahisar, as well as one grinding facility in Ankara and its Malatya Cement Packaging facility.

With its wide distribution network, Çimsa fully meets the product and service needs of its customers promptly, providing living environments for future generations as well as the materials needed for their infrastructure.

One of the world’s three leading brands of white cement, Çimsa is a truly international cement producer with its terminals in Hamburg (Germany), Trieste (Italy), Seville and Alicante (Spain), Famagusta (TRNC), Constanza (Romania) and Novorossiysk (Russia).

As part of the globalization strategy which it recently implemented, Çimsa has achieved a significant breakthrough in North America with its Çimsa Americas investment. Another major step towards global leadership was taken with the signing of the contract to purchase the Buñol Plant in Spain.

MORE THAN 65 EXPORT DESTINATIONS

In addition to grey cement, Çimsa also produces special products such as white cement and calcium aluminate cement as well as ready mixed concrete. Exporting white cement and special products to more than 65 countries, mainly to markets in the Middle East, Europe, North Africa and the United States, Çimsa increases its brand awareness on international platforms as well as increasingly contributing to its sector and the Turkish economy.

Çimsa continues its stable growth process backed by its long-standing experience in global and local markets, its know-how, its R&D work which shapes the sector and its identity as a reliable partner for its stakeholders.

ÇİMSA AIMS FOR CONTINUOUS GROWTH BY MAKING A DIFFERENCE IN ITS INDUSTRY.

Çimsa continues its stable growth process backed by its long-standing experience in global and local markets, its know-how, its R&D work which shapes the sector and its identity as a reliable partner for its employees and stakeholders.

Operating in a market dominated by continuously changing competitive conditions and customer expectations, Çimsa aims to carry its leading position in the sector to the future by evaluating new business opportunities with its market-oriented approach.

Çimsa’s shareholding structure as of the end of 2019 was as follows.

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hacı Ömer Sabancı Holding A.Ş.</td>
<td>54.54</td>
</tr>
<tr>
<td>Akçansa</td>
<td>8.98</td>
</tr>
<tr>
<td>Others</td>
<td>36.48</td>
</tr>
</tbody>
</table>

The shares of Çimsa are traded in İstanbul Stock Exchange.

Çimsa is included in the Borsa Istanbul Sustainability Index.

ÇİMSA 2019 Integrated Annual Report
<table>
<thead>
<tr>
<th>CEMENT PRODUCTION</th>
<th>R&amp;D INVESTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8 million tons</td>
<td>TL 6.4 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EBITDA</th>
<th>ENVIRONMENTAL INVESTMENT</th>
</tr>
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<tbody>
<tr>
<td>TL 271 million</td>
<td>TL 5.5 million</td>
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</table>

<table>
<thead>
<tr>
<th>TOTAL TRAINING</th>
<th>EMISSION SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>49,443 person hours</td>
<td>21,950 tons Co₂/year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRODUCT RANGE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grey cement</td>
<td>White cement standard and special products&lt;br&gt;&lt;br&gt;www.cimsa.com.tr/cimento</td>
</tr>
<tr>
<td>White cement</td>
<td>White cement standard and special products&lt;br&gt;&lt;br&gt;formulanadi.com/tr/anasayfa/</td>
</tr>
<tr>
<td>Calcium aluminate cement</td>
<td>Çimsa continues to develop innovative products and to offer customized solutions to meet the different needs of its customers by following technological and scientific developments in the ready-mixed concrete sector.</td>
</tr>
<tr>
<td>Special products</td>
<td>Ready-mixed concrete standard and special products&lt;br&gt;&lt;br&gt;www.cimsa.com.tr/hazir-beton</td>
</tr>
<tr>
<td>Ready-mixed concrete</td>
<td></td>
</tr>
</tbody>
</table>

One of the top 3 white cement producers in the world

ÇİMSA 2019 Integrated Annual Report

GRI 102-2, 102-6
MILESTONES

1972
Çimsa was founded in Mersin.

1975
Started production with a capacity of 1 million tons/year.

1988
Entered the ready-mixed concrete sector.

1990
The world’s first interchangeable grey/white clinker production line which operates on a request basis was introduced.

1995
A grinding/packaging facility was purchased in Kayseri.

1996
The Malatya packaging terminal was purchased. A new white clinker line with a 600,000 tons capacity was introduced in Mersin. With the addition of this production facility, Mersin became the world’s biggest white cement plant in terms of capacity on the same premises.

2002
The first Calcium Aluminate Cement was produced in Turkey.

2005
The Northern Cyprus terminal was purchased. The Kayseri Plant’s clinker line was introduced. Standard cement was purchased (Eskişehir Cement Plant and Ankara Cement Grinding Facility).

2006
The Romania sales office was established.

2007
Çimsa acquired the Oysa Niğde Plant.

2008
The second line at the Eskişehir plant entered operation. With the purchase of Bilecik Ready-Mixed Concrete, Çimsa became Turkey’s biggest producer in the ready mixed concrete sector in terms of its number of facilities.

2009
The Russia terminal entered operation.

2010
Çimsa published its first sustainability report covering the 2007 - 2010 period. 60% of the shares in MEDCON, which owns the Trieste terminal, were purchased in February 2010. Çimsa started producing the Super Bims Cement.

2011
The HotDisc (Waste Feeding and Waste Energy Recovery) investment was completed at the Eskişehir Plant.

2012
A 51% stake in Afyon Çimento Sanayi T.A.Ş. was purchased on 31 May 2012 from PARCIB S.A.S., an Italcementi Group company. The Denizli Üçler Ready Mixed Concrete Facility and Agrega Operations were purchased in December 2012.

2013
Became the first and only Turkish company to join the Cement Sustainability Initiative (CSI), and signed up to the Principles of the United Nations Global Compact.
2014
The decision was taken on 21 November 2014 to renew the Afyon Cement Plant with an investment budget of USD 165 million. The Eskişehir Plant received the TS10002 Customer Satisfaction Management System certificate.

2015
Çimsa was handed the “Social Gender Equality at the Workplace Award” by the Department of Labor of the Turkish Ministry of Labor and Social Security. Çimsa announced its USD 55 million white cement investment at the Eskişehir Plant.

2016
In a ground-breaking development in the Turkish cement sector, Çimsa was placed in the A- category and won the “CDP Turkey 2016 Climate Leader” Award, on the basis of its Climate Change Report results.

2017
With the celebration of Çimsa’s 45th year of operation, 2017 was the year when the new foundations of the Company’s future growth were laid. The Afyon Plant was moved to its newly-built modern and green compound equipped with state-of-the-art cement production technology. The capacity increase investment at the Niğde Plant was completed.

2018
Çimsa received the highest score in the Turkish cement industry in the CDP climate change and water reports. Integrated with Çimsa, the Afyon Plant obtained the ISO 14046 Water Footprint certificate. The production line at the Eskişehir Plant, which produces both grey and white clinker and cement, became operational.

2019
In its 47th year of operation, Çimsa took significant steps forward in building a sustainable future. Çimsa’s aim of global leadership came one step closer with the agreement to acquire the Buñol Plant in Spain. Following the testing and enhancement work, Çimsa Americas started selling products in the final quarter of 2019. Meanwhile, the Joint Cultural Management One Team-One Voice project was carried out.
In addition to five integrated plants and one grinding facility in Turkey, Çimsa operates on a global scale with its production facilities and terminals located in the US, Germany, Italy, Spain, Northern Cyprus, Romania and Russia, exporting to more than 65 countries.

65
MORE THAN 65 EXPORT DESTINATIONS
EXPORTING WHITE CEMENT AND SPECIAL PRODUCTS TO MORE THAN 65 COUNTRIES, MAINLY TO THE MIDDLE EAST, EUROPE, NORTH AFRICA, AND THE UNITED STATES

7
FOREIGN SUBSIDIARIES
CIMSA CEMENT SALES NORTH GMBH (GERMANY)
CIMSA ADRIATICO S.R.L. (ITALY)
CIMSA CEMENTOS ESPANA S.A.U. (SPAIN)*
CIMSA CEMENT FREE ZONE LTD. (TRNC)
CIMSAROM MARKETING DISTRIBUTIE S.R.L. (ROMANIA)
OOO CIMSA RUS CTK (RUSSIA)
CIMSA AMERICAS CEMENT MANUFACTURING AND SALES CORP. (USA)

*Cimsa has 2 terminals in Spain.
INTERNATIONAL TERMINALS

CIMSA CEMENT SALES NORTH GMBH (GERMANY)
Cimsa Cement Sales North GmbH carries out the marketing of white and calcium aluminate cement in North and Western Europe under the Çimsa brand, with its bulk cement silo of 9,000 tons.

CIMSA ADRIATICO S.R.L. (ITALY)
A Çimsa brand, Cimsa Adriatico S.R.L. serves the Italian cement market - the third largest consumer of white cement in Europe after Spain and Germany - with four silos each with a capacity of 5,000 tons at the Trieste Port.

CIMSA CEMENTOS ESPANA S.A.U. (SPAIN)
Çimsa has been operating in the Spanish market since 1996. The Company has two terminals in the country, one in Seville with two 5,000-tonne silos, and the other in Alicante with a 10,000-tonne silo. It also has a facility where white cement-added flooring material is produced, and packing lines with modern structures, as well as a logistics structure.

CIMSA CEMENT FREE ZONE LTD. (TRNC)
Çimsa has been operating in the Turkish Republic of Northern Cyprus (TRNC) since 2005 with its terminal with a storage capacity of 5,000 tons of grey cement established in the Famagusta Free Port and Zone.

CIMSAROM MARKETING DISTRIBUTIE S.R.L. (ROMANIA)
Serving Romania’s Constanza market, the company markets Çimsa white cement and ISIDAÇ 40 to Romanian and surrounding markets.

OOO CIMSA RUS CTK (RUSSIA)
Having entered the Russian market in 2008, Çimsa has a terminal in Novorossiysk, with a 7,000-tonne silo. The company supplies white cement and ISIDAÇ 40 to the Russian market.

ÇIMSA AMERICAS CEMENT MANUFACTURING AND SALES CORP. (USA)
Çimsa founded Cimsa Americas Cement Manufacturing and Sales Corp. with a capital of US$ 14 million in the United States in 2017. The Company’s field of activity is defined as cement production, sales and marketing.
DOMESTIC FACILITIES

5
INTEGRATED PLANTS, 1 GRINDING FACILITY

- ESKİŞEHİR PLANT
- KAYSERİ PLANT
- MERSİN PLANT
- NİĞDE PLANT
- AFYON PLANT
- ANKARA CEMENT GRINDING FACILITY
- MALATYA CEMENT PACKAGING FACILITY
<table>
<thead>
<tr>
<th>Location</th>
<th>Clinker Production Capacity (Tons/Day)</th>
<th>Established in</th>
<th>Date of Being Operational Under Çimsa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mersin Çimsa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Plant</td>
<td>3,825 grey clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Plant</td>
<td>1,845 grey clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Plant</td>
<td>1,515 white clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Calcium Aluminate 40</td>
<td>55 Calcium aluminate -40 clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Calcium Aluminate 40</td>
<td>55 Calcium aluminate -40 clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Calcium Aluminate 40</td>
<td>55 Calcium aluminate -40 clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Kayseri Çimsa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Line</td>
<td>2,500 grey clinker</td>
<td>1992</td>
<td>1995</td>
</tr>
<tr>
<td><strong>Eskişehir Çimsa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Production Line</td>
<td>1,200 white clinker</td>
<td>1957</td>
<td>2005</td>
</tr>
<tr>
<td>2. Production Line</td>
<td>2,200 grey clinker</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Niğde Çimsa</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Line</td>
<td>2,600 grey clinker</td>
<td>1957</td>
<td>2007</td>
</tr>
<tr>
<td><strong>Afyon Çimento Sanayi Türk A.Ş.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Production Line</td>
<td>5,000 grey clinker</td>
<td>1957</td>
<td>2012</td>
</tr>
<tr>
<td><strong>Grinding Plant</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ankara Çimsa</td>
<td>2,040</td>
<td>2002</td>
<td>2005</td>
</tr>
</tbody>
</table>
Çimsa considers the outputs derived from the interactive relationship which it has built with its stakeholders and its contribution to the society in the widest sense.
ÇİMSA ACCEPTS SUSTAINABILITY AS AN IMPORTANT COMPONENT TOWARDS ACHIEVING ITS STRATEGIC GOALS.
ÇİMSA BUSINESS MODEL

MAIN STAKEHOLDERS WE CREATE VALUE

Sustainability

People Orientation & Global Culture

Technological Transformation

OUR STRATEGIES
GROWTH AND INTEGRATION
CASH MANAGEMENT, OPERATIONAL AND TECHNICAL DISCIPLINE
DIGITAL AND CULTURAL TRANSFORMATION

OUR FOUNDATIONS

Sincerity

Passion

Courage

People Oriented

Continuous Development

Inclusive

Digital

OUR GOAL
To become an international cement and construction materials company which leads the industry for a livable future

OUR MISSION
To create value for all our stakeholders as a company that swiftly produces solutions which will meet the differing needs of our customers and employees in an ever changing world with the products and services we have developed together with our business partners in order to ensure sustainability of growth
THE STRATEGY OF ÇİMSA AND VALUE CREATION PROCESS

Çimsa’s strategy serves as guidance for its decision taking processes in Company’s operations carried out in the domestic and international markets.

Çimsa deems sustainability to be an important component in achieving its strategic goals and performs all of its operations under this perspective, as summarized in the business model.

Çimsa’s strategy serves as guidance for its decision making processes in the Company’s operations carried out in the domestic and international markets.

Strong cash management, operational and technical discipline constitute only one part of Çimsa’s effective operational management objective. Çimsa always acts with consideration of outputs derived from the interactive relationship which it has built with its stakeholders and its contribution to the society in the widest sense. This integrated perspective, behavior and execution style enables Çimsa to maintain its competitive production clout and sustain its growth and create value, while helping it reach its short, medium and long-term goals.

Çimsa has determined the following areas as its main strategies;
- Growth and integration
- Cash management, operational and technical discipline
- Digital and cultural transformation

In line with its main strategies and the priorities set out for 2019 (see pages 30-31), Çimsa has defined its main goals which will shape its success in the short, medium and long term, and its performance indicators within this context.

This framework ensures the execution of Çimsa’s value creation chain that serves Çimsa’s six different capital elements, and which is aligned with the Company’s strategies and business model in a manner that promotes the participation of all departments with a strong team spirit.

In the scope of the work carried out based on integrated governance principles, the expectations and needs of Çimsa’s primary stakeholders are taken into consideration, ensuring the sustainability of the activity cycle based on a win-win approach.
THE BUSINESS MODEL - 2019 PERFORMANCE

OUR SOURCES...

- **Financial Capital**
  - TL 1,726 million
  - Net sales income

- **Manufactured Capital**
  - 5.2 million tons
  - Clinker production

- **Intellectual Capital**
  - TL 6.4 million
  - R&D investments

- **Human Capital**
  - 1,148 Employees

- **Social and Relationship Capital**
  - 33 Memberships in local and international initiatives

- **Natural Capital**
  - 7.5% Rate of alternative fuel consumption

ARE EVALUATED IN OUR EFFICIENCY-FOCUSED BUSINESS MODEL...

OUR STRATEGIC FOUNDATIONS

- Grey Cement
- White Cement
- Aluminate Cement
- Ready-Mixed Concrete
- Trade&Logistics
- Cash Management, Operational and Technical Discipline
- Growth and Integration

GRI 102-7, 103-2, 103-3, 203-1, 203-2, 204-1, 416-1
... AND WE CONTINUED TO GENERATE VALUE FOR OUR STAKEHOLDERS IN 2019.

### Production

<table>
<thead>
<tr>
<th>Cement</th>
<th>Ready-mixed Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREY CEMENT PRODUCTION</td>
<td>READY-MIXED CONCRETE PRODUCTION</td>
</tr>
<tr>
<td>3.5 million tons</td>
<td>1.3 million m$^3$</td>
</tr>
<tr>
<td>WHITE CEMENT PRODUCTION</td>
<td></td>
</tr>
<tr>
<td>1.2 million tons</td>
<td></td>
</tr>
<tr>
<td>CALCIUM ALUMINATE CEMENT PRODUCTION</td>
<td></td>
</tr>
<tr>
<td>35.1 thousand tons</td>
<td></td>
</tr>
</tbody>
</table>

### Impact

<table>
<thead>
<tr>
<th>Occupational Health and Security</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCIDENT FREQUENCY RATE*</td>
<td>TOTAL CO$_2$ EMISSIONS</td>
</tr>
<tr>
<td>6.15</td>
<td>4.7 million tons CO$_2$</td>
</tr>
</tbody>
</table>

### Contribution

<table>
<thead>
<tr>
<th>Economy</th>
<th>Employess</th>
<th>Investors</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAXES</td>
<td>WAGES</td>
<td>EBITDA</td>
<td>YAZ ÇOCUKLARI$^*$</td>
</tr>
<tr>
<td>TL 21.6 million</td>
<td>TL 153 million</td>
<td>TL 271 million</td>
<td>979 children$^{**}$</td>
</tr>
<tr>
<td>EXPORT (GROSS SALES)</td>
<td>NET PROFIT (MOTHER COMPANY)</td>
<td>MERSİN DISABILITY WEEK</td>
<td>19 electric wheelchairs$^{***}$</td>
</tr>
<tr>
<td>TL 1,147 million</td>
<td>TL 13 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL 292 million</td>
</tr>
</tbody>
</table>

---

$^*$ Çimsa’s corporate social responsibility project
$^{**}$ Çimsa plants-Çimsa employees
$^{***}$ Total number for 2011-2019

---

GRI 102-7, 103-2, 103-3, 203-1, 203-2, 204-1, 416-1
The “Transforming Our Earth: The 2030 Sustainable Development Agenda” Agreement, adopted by the United Nations’ 193 member states on 25 September 2015 consists of 17 Sustainable Development Goals and 169 sub-goals. The 17 Sustainable Development Goals (SDGs) have introduced a much broader sustainability agenda and have gone beyond the Millennium Development Goals.

The goals aim to find solutions to the main causes of poverty and to ensure development as a universal necessity for all. The global consensus reached around the SDGs has pointed to an important milestone in orienting our globe to a more inclusive and sustainable growth policy.

Çimsa - an active participant of the UN Global Compact and member of the Turkish Network which closely monitors developments on both a global and national scale - recently updated its sustainability agenda in order to adopt the Sustainable Development Goals.

Çimsa believes that the Sustainable Development Goals will contribute to the further development of cooperation on different levels, as well as stepping up environment protection efforts, the efficient use of natural resources, enhancing the value produced and a deepening in stakeholder relations in all aspects.

Based on findings from ongoing regular and interactive communication with our stakeholder groups and strategic grounds, Çimsa’s leadership team carried out a detailed examination of the Sustainable Development Goals, their subheadings and their indicators in 2019.

As a result of the examination, Çimsa defined (5) Gender Equality, (8) Decent Work and Economic Growth, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production and (13) Climate Action as the SDGs to which it will directly contribute to. These six prioritized SDGs are connected to Çimsa’s strategy and are the fields which the Company offers a concrete contribution in line with its sustainability goals.

Basic SDGs which are engaged to Çimsa are also shown in the infographic above. The Company provides an indirect contribution to its linking and underlying SDGs.
ÇİMSA’S GOALS AND CONTRIBUTION TO THE SDGs

<table>
<thead>
<tr>
<th>MAIN GOAL</th>
<th>BASE YEAR</th>
<th>KPI</th>
<th>2018</th>
<th>2019</th>
<th>TARGET</th>
<th>TARGET YEAR</th>
<th>SDGs</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>To decrease the accident frequency ratio (AFR) for Çimsa employees, with</td>
<td>2018</td>
<td>8.73</td>
<td>8.73</td>
<td>6.15</td>
<td>&lt; 3</td>
<td>2025</td>
<td>8 9 11</td>
<td>59-67</td>
</tr>
<tr>
<td>respect to 2018 figures, by 2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To decrease the accident severity ratio (ASR) for Çimsa employees, with</td>
<td>2018</td>
<td>188.06</td>
<td>188.06</td>
<td>212.5</td>
<td>&lt; 150</td>
<td>2025</td>
<td>8 9 11</td>
<td>68-73</td>
</tr>
<tr>
<td>respect to 2018 figures, by 2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To develop and extend the summer children project, which is organized</td>
<td>2011</td>
<td>20%</td>
<td>50%</td>
<td>50%</td>
<td>100%</td>
<td>2025</td>
<td>10</td>
<td>84-87</td>
</tr>
<tr>
<td>for the children - Çimsa’s main theme in terms of social responsibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>projects - and to increase the realization ratio in the provinces where</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa is operative</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To decrease the gross CO₂ ratio for grey clinker, with respect to 2017</td>
<td>2017</td>
<td>4,148,165</td>
<td>3,985,442</td>
<td>3,499,109</td>
<td>5%</td>
<td>2025</td>
<td>9 11 13</td>
<td>74-79</td>
</tr>
<tr>
<td>figures, by 2025*</td>
<td></td>
<td>tons</td>
<td>tons</td>
<td>tons</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To reduce the CO₂ ratio for clinker per tonne, with respect to 2015</td>
<td>2015</td>
<td>872 kg</td>
<td>878 kg</td>
<td>885 kg</td>
<td>1.95%</td>
<td>2025</td>
<td>9 11 13</td>
<td>74-79</td>
</tr>
<tr>
<td>figures, by 2025*</td>
<td></td>
<td>CO₂/ton grey clinker</td>
<td>CO₂/ton grey clinker</td>
<td>CO₂/ton grey clinker</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With the completion of the required investments, to meet at least 10% of</td>
<td>2018</td>
<td>6.8%</td>
<td>6.8%</td>
<td>7.5%</td>
<td>10%</td>
<td>2025</td>
<td>8 9 11 13</td>
<td>74-73</td>
</tr>
<tr>
<td>the total thermal power of Çimsa plants with alternative fuels'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To reduce total water consumption by 40%, with respect to 2016 levels,</td>
<td>2016</td>
<td>1,662,358</td>
<td>1,117,055</td>
<td>1,671,757</td>
<td>40%</td>
<td>2020</td>
<td>9 11 12</td>
<td>74-79</td>
</tr>
<tr>
<td>by 2020</td>
<td></td>
<td>liters</td>
<td>liters</td>
<td>liters</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Only grey production

One of the main elements of Çimsa’s sustainability approach is to set accountable, trackable and transparent integrated goals, and to periodically report the progress achieved in this context.

Çimsa contributes to its prioritized SDGs and 2030 Sustainable Development Agenda to the extent it approaches its corporate goals.
# STAKEHOLDERS, PRIORITIES AND COMMUNICATION CHANNELS OF ÇİMSA

## PRIMARY STAKEHOLDERS

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Priorities</th>
<th>Communication Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>Occupational Health and Safety - Growing in International Markets - Profitability and Dividend - Equality at Work - Digitalization - Cultural and Technological Transformation - Risk Management</td>
<td>Integrated annual report, corporate policies, periodicals, suggestions system, SA-Ethics Principles, collective labor agreement, employee training, occupational health and safety committees, internal notifications, social media, the Company website, social activities.</td>
</tr>
<tr>
<td><strong>Shareholders and Investors</strong></td>
<td>Growing in International Markets - Profitability and Dividend - Direct/Indirect Economic Value Generated for the Stakeholders - Risk Management - Climate and Energy - Ethics and Corporate Governance - Occupational Health and Safety</td>
<td>Integrated annual report, corporate periodicals, interim activity reports, general meetings, acknowledgments and material disclosures, investor presentations, meetings and interviews, teleconferences, SA-Ethics principles, social media, e-mail bulletins, the Company website.</td>
</tr>
<tr>
<td><strong>Customers (Dealers and Consumers)</strong></td>
<td>Occupational Health and Safety - Direct/Indirect Economic Value Generated for the Stakeholders - Customer Loyalty - Ethics and Corporate Governance - Risk Management - Climate and Energy - R&amp;D and Innovation - Digitalization - Product Range and Customer Expectations</td>
<td>Integrated annual report, corporate periodicals, product brand-market research studies, meetings and training programs, dealers’ meetings, periodic visits, interviews, product tags, SA-Ethics Principles, social media, Company website, social activities.</td>
</tr>
</tbody>
</table>

GRI 102-40,102-42, 102-43
Çimsa's primary stakeholders are its employees, its shareholders and investors, its customers, local people and the general public, suppliers and public agencies.

Çimsa pursues its activities through interactive communication and cooperation with its stakeholders. Stakeholder communication, which for the most part takes place in the context of the daily trade and service cycle, offers an extremely valuable platform for Çimsa where it can understand, assess and evaluate demands and expectations correctly.

In addition to its group of primary stakeholders, Çimsa is also in close communication with academic institutions, the media and other various stakeholders.

### OTHER STAKEHOLDERS

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Communication Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Institutions</strong></td>
<td>Integrated annual report, meetings and interviews, common projects, Company website, sponsorships, technical visits</td>
</tr>
<tr>
<td><strong>Group Companies</strong></td>
<td>Integrated annual report, corporate periodicals, meetings and interviews, common projects, social media, Company website</td>
</tr>
<tr>
<td><strong>Financial Institutions</strong></td>
<td>Integrated annual report, interim activity reports, meetings and interviews, Company website</td>
</tr>
<tr>
<td><strong>NGOs, Sectoral Institutions and Professional Organizations</strong></td>
<td>Integrated annual report, social development projects, memberships, meetings and interviews, common projects, social media, Company website</td>
</tr>
<tr>
<td><strong>Media</strong></td>
<td>Integrated annual report, press conferences and releases, meetings, interviews and meetings, social media, Company website</td>
</tr>
</tbody>
</table>

### CORPORATE MEMBERSHIPS OF ÇİMŞA

<table>
<thead>
<tr>
<th>Organization</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkish Industry and Business Association (TÜSİAD)</td>
<td>UCTEA Chamber of Environmental Engineers</td>
</tr>
<tr>
<td>Business Council for Sustainable Development (SKD)</td>
<td>UCTEA Chamber of Mining Engineers</td>
</tr>
<tr>
<td>Turkish Green Building Council (ÇEDBİK)</td>
<td>Mersin Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>Turkish Marine Environment Protection Association (TURMEPA)</td>
<td>World Business Council for Sustainable Development (WBCSD)</td>
</tr>
<tr>
<td>Turkish Association of People Management (PERYÖN)</td>
<td>The European Cement Association (CEMBUREAU)</td>
</tr>
<tr>
<td>Corporate Governance Association of Turkey (TKYD)</td>
<td>Cement Industry Employers’ Association (CEIS)</td>
</tr>
<tr>
<td>Association of Private Sector Volunteers (OSGD)</td>
<td>Foreign Economic Relations Board (DEiK)</td>
</tr>
<tr>
<td>Association of Turkish Construction Material Producers (IMSAD)</td>
<td>Foreign Economic Relations Board (DEiK) - Turkey-Spain Business Council</td>
</tr>
<tr>
<td>Mersin Industry and Business Association (MESİAD)</td>
<td>Foreign Economic Relations Board (DEiK) - Turkey-U.S. Business Council</td>
</tr>
<tr>
<td>Turkish Investor Relations Society (TÜYİD)</td>
<td>YANINDAYIZ Association</td>
</tr>
<tr>
<td>Turkish Cement Manufacturers’ Association (TÇMB)</td>
<td>American-Turkish Council</td>
</tr>
<tr>
<td>Turkey Ready-Mixed Concrete Association (THBB)</td>
<td>Global Cement and Concrete Association (GCCA)</td>
</tr>
<tr>
<td>Mediterranean Exporter Associations (AKİB)</td>
<td>Corporate Communicators Association</td>
</tr>
<tr>
<td>Central Anatolia Exporters Associations (OAİB)</td>
<td>Istanbul Industrialists and Businessmen Association (İSİFED)</td>
</tr>
<tr>
<td>UCTEA Chamber of Mechanical Engineers</td>
<td>Integrated Reporting Türkiye</td>
</tr>
<tr>
<td>UN Global Compact Türkiye</td>
<td>International Integrated Reporting Council</td>
</tr>
<tr>
<td>WEPs Women’s Empowerment</td>
<td></td>
</tr>
</tbody>
</table>
### STAKEHOLDERS, PRIORITIES AND COMMUNICATION CHANNELS OF ÇİMSA

In 2019 Çimsa participated in the activities summarized below and shared its experience and knowledge with its stakeholders.

<table>
<thead>
<tr>
<th>Relevant Association, Field of Sharing</th>
<th>Presentations and Contributions Made</th>
</tr>
</thead>
</table>
| **Turkish Cement Manufacturers’ Association (TÇMB)** | • Participating in World Bank Carbon Market Global Partnership Project meetings on behalf of the Turkish Cement Manufacturers’ Association (TÇMB)  
• Participating in TÇMB Environmental and Climate Change meetings, contributing in forming opinions to the Ministry on the issues of Environmental Legislation and regulations. |
| **Turkish Industry and Business Association (TÜSİAD)** | • Preparation of the Attitude Certificate, which is published by TÜSİAD, on the theme of “Zero Waste in the Industry and Circular Economy Implementations”. |
| **Business Council for Sustainable Development Turkey (BCSD Turkey)** | • The TMM is a cloud-based platform that allows inter-industry materials to change hands. Çimsa is involved in the platform which was established to raise awareness regarding the good practices on waste reduction and to reuse waste materials.  
• Çimsa took part as a speaker on Integrated Reporting in the Sustainability Reporting panel held at the 8th Annual General Meeting of the WBCSD. |
| **Integrated Reporting Türkiye Network (ERTA)** | • Çimsa participated as a speaker in the ‘Integrated Reporting Experience’ panel of the Integrated Reporting Good Practices Sharing Workshop held within the context of Corporate Reporting and Investor Expectations Conference, organized with the collaboration of Borsa Istanbul and the ERTA.  
• The ERTA, which Çimsa is a General Assembly member of, realized its 1st Annual General Meeting at the Borsa Istanbul. |
| **GCCA** | • Çimsa attended the Annual General Meeting of the Global Cement and Concrete Association, where it sits on the board of directors. |
| **Yanindayız (We Stand By You) Association** | • To promote gender equality, Çimsa hosted the Yanindayız Association at its Mersin Plant. With the “Barber Shop Talks”, Çimsa has created awareness among its employees with the Yanindayız Association, which deals with gender equality from a different perspective. |
| **Concrete Roads Congress 2019** | • Çimsa attended the congress which set out the studies into concrete roads in Turkey and technological developments. A stand was also opened on the platform where the study, “Calcium Aluminate Cement Based Concrete Road Practice” was presented, where Çimsa products were introduced. |
| **Scaling UP 3D Conference** | • Çimsa attended the conference where the latest developments and trends in 3D printing technology were set out. Information was provided on Çimsa’s development in digital technologies and their contribution to the process. |
Sabancı University

- R&D Center employees have provided lectures on innovations and practices in the cement industry in the Cement Technologies and Practices course given by Sabancı University since 2016.
- GEOCOND high conductivity mortar development studies were carried out at the Çimsa Formula House R&D Center.
- With the cooperation of the Sabancı University Executive Development Unit (EDU), Çimsa initiated the “Common Culture Management” project, which will be shaped together with its employees in order to support its vision, strategies and international strength. With this project, Çimsa aims to define and activate the values and principles which will determine common behaviors, business conduct and relationship models specific to Çimsa in line with the vision of the New Generation Sabancı.

Mersin University

- Within the context of industrial symbiosis studies carried out with the Environmental Engineering Department at Mersin University, joint studies have been undertaken for the project on Reducing Production Costs, Resources Consumption and Waste for the Environment, supported by the Çukurova Development Agency.

Özyeğin University, Çukurova University

- A mortar development project specific to white cement and calcium aluminate cement for the 3D printer has been carried out in cooperation with Özyeğin University, Çukurova University and the Çimsa Formula House R&D Center.

7th International Drymix Mortar Conference

- A presentation entitled “The Influence of Different Types of Cellulose Ethers and Cements on Cement Based Tile Adhesives” was carried out at the 7th International Drymix Mortar conference.

PCE 2019

- A presentation entitled “The Effects of Different Solid Amounts in Pure Polycarboxylate Superplasticizers” was carried out at the PCE 2019 conference.

15th International Congress on the Chemistry of Cement (ICCC)

- A presentation entitled “Characterization of the Effect of Fuel Types on Phases of Calcium Aluminate Cements and Investigation of Properties of Calcium Aluminate Cement” was carried out at the ICCC conference.

Colloquium on Refractories

- A presentation entitled “Characterization of Chemical and Morphology Properties of Different Types of CAC 50 and Investigations of their Refractoriness Properties” was carried out at the Colloquium on Refractories conference.
AWARDS

50 POWERFUL WOMEN CEOS
Following a study of “50 Strong Women CEOs” conducted by the Capital and Ekonomist Magazines, The CEO of Çimsa, Ülkü Özcan, was awarded at the summit, taking her place among Turkey’s 50 most powerful women CEOs.

BUYER NETWORK BUSINESS AND THE TRADE PLATFORM
Organized by the Buyer Network Business and Trade Platform, Çimsa attended the Purchasing and Supply Chain Management Conference and Award Ceremony as a speaker. In the Award Ceremony, in which Çimsa’s Supply Chain Team and Digital Technologies Team participated with SabancıDx, Çimsa received first prize in the “Digital Transformation” category.

SUCCESSFUL TURKISH AND SPANISH COMPANIES OF 2019 AWARD
In the Turkish-Spanish Industry and Trade Chamber Award Ceremony, Çimsa was the only brand in the Turkish Firm Category to receive the Successful Turkish and Spanish Companies of 2019 Award.

2018 EXPORT CHAMPIONS AWARD CEREMONY
With its successful export performance, Çimsa won first prize of the cement industry in the 2018 Export Champions Award Ceremony organized by the Cement, Glass, Ceramic and Soil Products Exporters’ Association.

ARKİTERA BUILDING MATERIALS AWARD
In the Arkitera Awards, which are the prestigious awards of the building and architecture sector, Çimsa was awarded with the Arkitera Building Material Award in the category of “Carrier Systems, Infrastructure Components and Rough Construction Components” with its Duro product.
Çimsa has gained the admiration of its stakeholders with its different activities in 2019 and has received various awards.

THE LEADING EXPORTER IN THE MERSİN PROVINCE
According to data provided by the General Secretariat of the Mediterranean Exporters’ Association, Çimsa was awarded the title of the leading exporter in the Mersin province in 2018. The first place plaque was presented to Çimsa in the ceremony organized by the Central Mediterranean Customs and Trade Regional Directorate as part of the activities of World Customs Day.

ÇEİS OCCUPATIONAL HEALTH AND SAFETY AWARD
Çimsa was handed the Occupational Health and Safety performance award of 2017, from the Cement Industry Employers’ Association in 2019.

MOST ADMIRED 500 COMPANIES IN TURKEY
Çimsa was among the most admired 500 companies in Turkey at the research conducted by Capital Magazine every year.

TÜSİAD SD2 PROGRAM
In the 2019 Success Stories Ceremony, which is part of the TUSIAD SD2 Program under the “Digital Transformation of the Industry” theme, Çimsa’s “SALUTEM Project” was awarded the “Proliferation Potential” award with its business partner, MOBIROB.

RESPECT FOR PEOPLE AWARD
Çimsa received the Respect for Human People award this year, as it had in previous years. The Kariyer.net Respect for People Award was presented to Çimsa along with over 44,000 firms according to criteria such as the rate of returns among candidate applications, number of applications received and the number of people employed.
OUR PRIORITIES

PRIORITIZATION ANALYSIS
Çimsa is in contact with its stakeholders within the scope of its daily business cycle. Additionally, the Company conducts satisfaction and expectation/demand surveys with its employees and customers throughout the year.

Taking into consideration its medium and long term strategies and plans, Çimsa conducts its comprehensive stakeholder analysis studies on a periodical basis. On an annual basis, major developments are evaluated in light of the views of the top management and stakeholder analysis studies are updated accordingly.

Within the scope of update studies, Çimsa management performed simplifications in the priorities list and specified the issues forming the focus area.

Face to face meetings were conducted with Çimsa management within the scope of the analysis. As a result of this evaluation, the primary topics of stakeholders and Çimsa’s management were evaluated together. The current weighting has been reached within the scope of the matrix study, taking into account the Company’s strategy, external stakeholder expectations and internal stakeholder expectations.

TOPICS THAT WERE GRADED WITHIN THE SCOPE OF THE CONDUCTED STUDIES.
- Occupational Health and Safety
- Growing in International Markets
- Profitability and Dividend
- Direct/Indirect Economic Value Generated for the Stakeholders
- Equality at Work
- Career and Talent Management
- International Workforce
- Supply Chain Management
- Customer Loyalty
- Ethics and Corporate Governance
- Risk Management
- Environment and Air Emission Management
- Climate and Energy
- Water Management
- Waste Management
- Biodiversity and Ecosystem Development Operations
- Recovery and Circular Economy
- Public and Stakeholder Relations
- Social Responsibility
- R&D and Innovation
- Digitalization
- Product Range and Customer Expectations
- Cultural and Technological Transformation

<table>
<thead>
<tr>
<th>GRI</th>
<th>102-46, 102-47, 103-1</th>
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<tbody>
<tr>
<td>30</td>
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</tbody>
</table>
FOLLOWING THE PRIORITIZATION STUDIES, THE EIGHT TOPICS LISTED BELOW WERE DETERMINED AS THE PRIMARY FOCUS AREAS.

- Occupational Health and Safety
- Growing in International Markets
- Profitability and Dividends
- Equality at Work
- Customer Loyalty
- Risk Management
- Digitalization
- Cultural and Technologic Transformation

As a company engaged in heavy industry, the prioritization analysis published by Çimsa in this report is in alignment with the Company’s strategy, business model and main objectives. Due to the requirements of its sector, Çimsa handles its priorities in a dynamic fashion and carries out modifications to these priorities in accordance with the changes taking place in its actives in the coming periods.
THE CORPORATE GOVERNANCE STRUCTURE OF ÇİMSA
At all times, Çimsa conducts all of its operations in a manner which is in line with the laws, ethical values and professional standards to the highest level. Çimsa believes sustainable corporate success is a product of dialogue and cooperation among the stakeholders based on trust. Corporate governance at Çimsa is structured in a manner compatible with the Corporate Governance Principles set by the Capital Markets Board (CMB). The Company’s unwavering goal is to maintain full compliance with these principles and continuously develop the relevant practices. The Board of Directors and executive management of Çimsa lead and guide the Company in terms of corporate governance.

The Board of Directors of Çimsa consists of six members, two of whom entirely meet the independence criteria set by the CMB. All members of the Board of Directors hold non-executive status, in line with the definitions published by the CMB. The duties of the Chairman of the Board of Directors and the CEO are performed by different individuals. In the reporting period, there was one female member in the Board of Directors.

EXECUTIVE WORK IMPLEMENTED UNDER THE CARE CULTURE
Çimsa conducts its daily business cycle with the Care Culture which it has structured in the presence of 7 corporate values and 3 strategic foundations. In the Company, the daily execution of the business is conducted with the work simultaneously carried out by the Integration Management Office (IMO), the Project Management Office and the Executive Committee under the guidance of the CEO and with the participation of all departments in line with their duties and responsibilities.

The Care Culture which Çimsa has adopted sets out the handling of customer expectations and responses, human resources, suppliers and shareholders with an ethical, balanced and fair approach as well as taking sustainability into consideration as the basic focus of the operations.

For detailed information, visit: https://www.cimsa.com.tr/en/investor-relations/corporate-governance

Additional information can be found at pages 88-117.
Sustainability Management at Çimsa

The management of sustainability at Çimsa is under the responsibility of the Sustainability Committee, which gathers four times a year under the leadership of the CEO. Within the scope of daily business cycle, issues and projects regarding sustainability are performed by the Environmental and Sustainability Executive of the Sustainability Committee within the framework of Company’s organizational structure.

The Committee aims to achieve its corporate targets by managing sustainability issues in accordance with the feedback from stakeholders, in-house performance and global and local trends. The Company’s business model and the main targets determined based on the business model and the matrix of priorities are assessed throughout the year by the Sustainability Committee and improvements are closely monitored.

At Çimsa, performance indicators pertaining to sustainability have been included in the tracking system. The indicators are evaluated by the Sustainability sub-working group and in the Company’s Board of Directors on a monthly basis, and necessary decisions are taken proactively.

Social, economic, environmental issues where the effects of Çimsa’s operations on sustainability become significant, and the expectations of the stakeholders in these fields are identified through periodical evaluations conducted with a risk and opportunity focused approach, and necessary action is taken accordingly.

Headlines of the Sustainability Committee Performance from 2019

Topics Covered by the Committee in 2019
- Integrated opinion
- The impacts of risks and opportunities on climate change
- Corporate reporting
- Associating environmental, social and governance data with financial data
- Financial sustainability
- Business model and value chain
- Carbon Disclosure Project (CDP), climate change and water reporting

Decisions Taken by the Committee in 2019
- Formation of a Sustainability Committee Sub Working Team with the participation of Financial Planning and Analysis (Investor Relations), Environment and Sustainability, Strategic Planning Corporate Communication executives.
- Updating relations of SDGs with Çimsa’s strategy
- Organization of the in-house strategy workshop
- Update of stakeholder analysis in light of the Company’s new strategy, realization of business model studies
- Evaluation of environmental, social and governance targets

Many operational issues were dealt with during the 2019 committee meetings related to the daily mechanism of sustainability matters, data flow and cooperation with stakeholders.
Çimsa has reached an important and new stage of its globalization process with its breakthrough in Spain in 2019 immediately after the investment it started in the US in 2017.

Çimsa, which is in the process of rising to a position of global leadership in terms of capacity in the white cement segment, aims to define, develop and widen the culture that will support its future with the Cultural Transformation which it initiated in 2019.

Supporting the 2030 agenda for sustainable development, Çimsa is focused on cultural transformation arising as a result of growth and integration, and focused on the digital transformation which is taking place because of the innovations brought by the age.

In this respect, efforts to seek new markets for grey cement, the need to place data analysis in the business cycle in the digital age, to grow in the white cement sector with strategic collaborations, strong cash management and digital transformation projects come to the forefront as business-based determinants of the cultural transformation.

On the other hand, changes in the human resources system, talent management, work efficiency business analysis, the competence model and GenÇimsa (Young Çimsa) are the human resources-originated measures being taken as part of the cultural transformation at Çimsa, as a Company seeking to improve its international workforce.
Completed its digital transformation and integrated it into its business model. In which, at least 3 languages are spoken. Producing on 3 continents. International brand.

- Completed its digital transformation and integrated it into its business model.
- In which, at least 3 languages are spoken.
- Producing on 3 continents.
- International brand.

**A CONTEMPORARY COMPANY: ÇIMSAL**

**CULTURAL PRINCIPLES**
- Continuous Developing
- Courageous
- People Oriented
- Sincere
- Inclusive
- Passionate
- Digital

**CULTURAL TRANSFORMATION**

- Reflection on Business and Relationship
- Reflection on Leadership and Relations Management
- Reflection on Systems and Processes
- People Orientation and Global Culture
- Sustainability
- Growth and Integration
- Cash Management, Operational and Technical Discipline
- Digital and Cultural Transformation
GOVERNANCE AT ÇİMSA

BUSINESS ETHICS CODE

Çimsa places accuracy and honesty as its primary values in all business processes, and acts in accordance with these concepts in its relations with its employees and all stakeholders.

Adopting the commitment to the Business Ethics Code and efforts to tackle bribery and corruption as its key principles, Çimsa applies the Business Ethics Code, the content of which was determined by Sabancı Holding.

These rules cover matters such as behaving in accordance with business ethics in internal and external relations, protecting all Company assets and information, preventing conflicts of interest and tackling acts of bribery and corruption. In addition to the legal responsibilities, the Business Ethics Code also includes responsibilities to customers, employees, shareholders, suppliers and business partners.

Furthermore, mechanisms established to report violations, as well as disciplinary measures and sanctions to be applied in the event of violation, are set out in the Business Ethics Code.


Employees are informed of the Code through the publication of the rules on the Company’s internal communication portal, the distribution of printed leaflets to all employees and the initiation of informative training programs. Moreover, employees update their knowledge of the Business Ethics Code at the end of each year by taking part in a distance learning program, where they renew their commitment to the business ethics code with the “Business Ethics Conformity Statement” which they fill out.

An Ethics Code Consultant, which is affiliated with the Holding Ethics Committee, was announced to the organization as a contact person to deal with ethical issues. In addition, trainings on Ethics is conducted on the internet environment through the Human Resources department every year, and ethical notifications are received regularly from all employees once a year. In 2019, a total of 522 employees participated in the ethics training, with an implied 152.91 employee-hours training provided.

In 2019, a total of 522 employees participated in the ethics training, with an implied 152.91 employee-hours training provided.

The Internal Audit Team receives ethics evaluation trainings on a periodical basis from the TiDE (The Institute of Internal Auditing - Turkey) or external training companies within the scope of continuous occupational development and compliance with International Internal Auditing Standards.

Çimsa has formed various policies to support the Business Ethics Code.

Çimsa’s Information Security Policy:
- The information security policy covers the following,
- Ensuring the continuity and the control of the confidentiality, integrity and accessibility of intellectual capital,
- Reducing exposure to risks arising from the loss, destruction or misuse of intellectual capital, ensuring compliance with legislation and regulations,
- Protecting intellectual capital against all kinds of threats which may occur, whether within or outside the Company, on purpose or unintentionally.

The Personal Data Protection Policy, which is one of the major priorities for Çimsa, and also a Constitutional Right, has been formed to protect and process the personal data of:
- Customers,
- Potential customers,
- Employees and employee candidates,
- Company shareholders,
- Company executives,
- Visitors,
- Employees, shareholders and executives of the collaborating institutions
- Third parties.

The Personal Data Protection Policy, which is one of the major priorities for Çimsa, and also a Constitutional Right, has been formed to protect and process the personal data of:
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- Visitors,
- Employees, shareholders and executives of the collaborating institutions
- Third parties.


Çimsa's approach to efforts to tackle corruption is defined in the Policy on Tackling Bribery and Corruption.

Showing zero tolerance to acts of bribery and corruption and taking measures for the prevention of such actions, Çimsa acts together with all of its stakeholders to improve and increase the efficiency of the mechanisms to tackle bribery and corruption.

In order to ensure compliance with current legislation and the Company’s own regulations, Çimsa monitors blacklisted individuals and companies in coordination with public authorities.

Necessary measures are taken against suppliers, contractors and customers who have been found to have given bribes, or are suspected to have given bribes, as a result of these monitoring activities.


Çimsa views the internalization of its Business Ethics Code and related policies and paying regard to them in all business processes by employees at all levels and other stakeholders as an integral part of its operations.

POLICIES APPLIED AT ÇİMSA

Çimsa conducts its operations within the scope of different policies and strategies which guide stakeholder relations as well as the production and trade cycle. Details of these policies are provided on the web links and/ or the related section of the full version of the 2019 Integrated Annual Report.

<table>
<thead>
<tr>
<th>POLICIES</th>
<th>Corporate Governance</th>
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<td><strong>Sustainability</strong></td>
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<tr>
<td>Environmental Policy</td>
<td>Disclosure Policy</td>
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<td>Health and Safety Policy</td>
<td>Dividend Distribution Policy</td>
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<td>Quality Policy</td>
<td>Renumeration Policy</td>
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<td>Stakeholder Engagement Policy</td>
<td>Donation and Aid Policy</td>
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<td>Waste Policy</td>
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<td><strong>Human Resources</strong></td>
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<tr>
<td>Information Security Policy</td>
<td>Climate Change Strategy</td>
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<td>Personal Data Protection Policy</td>
<td>Alternative Fuels Strategy</td>
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<tr>
<td>Anti-Bribery and Anti-Corruption Policy</td>
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</tbody>
</table>
Within the scope of its risk management policy, Çimsa defines and manages risks under an approach which supports the Company’s strategic priorities and maintains its future financial health and flexibility.
ÇİMSA DEVELOPS POLICIES AND ACTION PLANS BASED ON EACH RISK CATEGORY AND APPLIES THEM WITHIN THE SCOPE OF THE DAILY BUSINESS CYCLE.
ECONOMIC AND SECTORAL OUTLOOK

In the January 2020 Report, the IMF once again revised its global growth forecasts downwards; from 3% to 2.9% for 2019 and from 3.4% to 3.3% for 2020.

ECONOMIC OUTLOOK

ANOTHER CHALLENGING YEAR FOR THE GLOBAL ECONOMY

The year 2019 was one where global growth concerns were felt under the shadow of protective policies, Brexit and ongoing geopolitical developments in many regions of the world.

Trade wars and concerns over the slowdown in global growth steered leading central banks such as US Federal Reserve Bank (Fed) and the European Central Bank (ECB) back towards expansionary monetary policies in a bid to support their economies. Through three rate cuts during the year, the Fed cut its policy rate to a range of 1.50-1.75% while the ECB initiated a new asset purchasing program by preparing a monthly EUR 20 billion support package in addition to further rate cuts. The rate cuts paved the way for a recovery in capital flows towards emerging markets.

The US has been experiencing one of its longest runs of growth, while the Euro Zone exhibited a relatively weak growth performance when compared to 2018. In addition to the Brexit process, political uncertainties in Italy and Spain during the year reflected negatively to growth trends in the Euro Zone. On the other hand, growth lost momentum in Asian economies, the Japanese economy posted lower-than-expected growth and China recorded its lowest rate of growth in the last 30 years.

2019 IS ESTIMATED TO HAVE HAD THE LOWEST RATE OF GLOBAL GROWTH AND GLOBAL TRADE IN THE LAST 10 YEARS.

The global economy is estimated to have recorded its lowest rate of growth since the 2008 financial crisis. In the January 2020 Report, the IMF once again revised global growth forecasts downwards; from 3% to 2.9% for 2019 and from 3.4% to 3.3% for 2020. In the report, it was stated that negative developments regarding economic activity in some developing countries had led to a revision of growth expectations, while emphasising that the relative recovery projected for 2020 is expected to be driven by emerging economies outside China.

On the other hand, in 2019, where the process of globalization was interrupted, global trade also weakened on the back of a contraction in demand and decline in production. Having expanded by around 4% in 2018, global trading volume is estimated to have grown by just 1.2% in 2019 according to a report published by the World Trade Organization in January 2020.

The signing of the first phase of a trade agreement between China and the US and the agreed approval of the Brexit draft law offered some degree of hope for the future at the beginning of 2020.

SUCCESS FOR THE TURKISH ECONOMY IN ITS BALANCING PROCESS

In addition to cyclical developments, the Turkish economy has been under the influence of volatile political relations with the US as well as the ongoing geopolitical risks in the Middle East, which are not off the agenda.

Having entered a troubled period due to the sharp rise in exchange rates in August 2018, the contraction in the economy which begun in the final quarter of the year continued in the first half of 2019, with a contraction of 2.3% in the first quarter and 1.6% in the second quarter.

Significant ground was gained in the balancing process throughout the year, conducted with the determined stance of the Government and Central Bank, and the quick and harmonious cooperation of the private sector. The economy exceeded expectations, posting 1% growth in the third quarter of the year and increased its pace of growth in the fourth quarter, to 6% growth and thus rounding off the year with 0.9% economic growth in 2019, also exceeding the 0.5% target set out in the New Economy Program (NEP).
The decline in the accumulated exchange rate impact coupled with the subdued course of domestic demand have supported the improvement in inflation dynamics in 2019 in general terms. The rate of CPI inflation, which was realized at 20.35% in January 2019, ended the year at 11.84%.

Backed by the better inflationary outlook, the CBRT gradually cut its policy rate from 24% to 12% starting from July. This reduced the financing costs of companies in the second half of the year, providing relief in cash flows.

Thanks to record exports in 2019, the current account balance declined to its lowest level for 9 years before posting a current account surplus. The authorities have demonstrated a determined stance in maintaining the success achieved in the balance of payments, which has long been viewed as Turkey’s Achilles’ heel, with the current account deficit to GDP ratio targeted at 1.2% for 2020.

Funding costs, which have increased in a high inflationary environment, declined towards the levels last seen in early 2018 and investment appetite started to recover slowly within the framework of the balancing process supported by the global conjuncture.

Turkey’s international risk premiums also witnessed a rapid decline in 2019, while the Turkish Lira remained relatively stable, the high interest and inflation cycle was reversed and an improvement was observed in both the public debt / GDP and current account deficit / GDP ratios.

**SECTOR OUTLOOK**

**THE GLOBAL CEMENT SECTOR**

Having grown at an average rate of 5.1% between 2003-2018, grey cement consumption exceeded 4 billion tonnes worldwide, with global consumption following different trends during the three major crisis periods experienced in the same period. Another remarkable development was that the growth in global cement consumption exceeded the rate of economic growth in the world between 2003 and 2013.

Buoyant domestic demand in China had been the major factor triggering the development of the sector on a global scale during the 2008-2009 global financial crisis. This trend was reversed after 2014 as the economic slowdown in both China and other emerging countries resulted in global cement consumption lagging behind the global rate of economic growth. The ongoing contraction in demand in China has increasingly triggered a slowdown in the global cement industry since 2015.

It is estimated that the global sector will continue to present regional differences and that future growth will be driven by emerging countries, including Africa and India, as well as in the US.

**THE CEMENT INDUSTRY IN TURKEY**

Leading Europe in terms of production capacity, the Turkish cement industry has maintained its positioning among the leaders of the global league in 2019.

Turkey commands a firm position among the world’s leading manufacturers with an annual cement production capacity of around 100 million tonnes. A total of 54 plants and 22 grinding facilities operate in the industry.

The slowdown in the Turkish economy was also reflected to the construction and cement sectors in 2019 with domestic demand consumption extending the declining trend seen in 2018. According to figures published by the Turkish Cement Manufacturers’ Association (TÇMB), cement production in Turkey declined by 21% YoY in 2019, while domestic cement consumption decreased to 45 million tonnes, recording a 29% contraction during the same period.

The contraction in the domestic consumption was also reflected to the per capita cement consumption figures, with per capita cement consumption figures declining to below 600 kg in 2019, having hovered at 800 kg or more in previous years.

Exports compensated for the contraction in domestic demand in 2019. With exports of 23 million tonnes of cement and clinker in 2019, Turkey reached historical record levels for exports, and became one of the world’s two largest cement exporters.
MAJOR RISKS AND ÇİMSA’S APPROACH

Çimsa may be exposed to risks and uncertainties that might affect its short, medium and long term financial performance, financial condition, liquidity, the value of its assets, growth potential, sustainability performance and corporate reputation. In this scope, risk management emerges as a basic function for Çimsa and constitutes one of the foundations of the decision making process.

All risks and uncertainties, whether or not under the control of Çimsa, present dynamic and varying features. Within the scope of its business cycle, the policies and approaches Çimsa has followed or will follow in tackling risks and uncertainties have a critical bearing on the sustainability of the business cycle. In order the minimize the possible impacts of these risk factors on the Company’s operations, Çimsa has been elaborating policies and actions plans for each risk category and has been implementing these within the scope of its daily business cycle.

GENERAL APPROACH

Çimsa’s risk management framework defines and manages risks with an approach to support the Company’s strategic priorities and maintain the Company’s future financial health and flexibility. The risk management approach is shaped by the continuous tracking of the risks which Çimsa is exposed to, the risk appetite and the changes in risks over time.

In addition to defining the general limits of the Company’s risk appetite, the Board of Directors of Çimsa periodically monitors the development of risks and shapes the guiding policies and decisions in this field. A Committee for the Early Detection of Risk is active within the Board of Directors at Çimsa.

DEVELOPMENTS IN 2019

<table>
<thead>
<tr>
<th>EXTERNAL RISKS</th>
<th>ÇİMSA’S APPROACH</th>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluctuations in Exchange Rates</td>
<td>Effective use of money market instruments and an approach of operational excellence</td>
<td>Cash Management, Operational and Technical Discipline</td>
</tr>
<tr>
<td>Turkey is a net energy importer and is procuring the majority of its energy supply in foreign currency. The cement industry is a business line which depends on high levels of energy.</td>
<td>As a Sabancı Group company, Çimsa has been in close contact with all banks and financial institutions both within and outside the Group, and has effectively used by-products such as forward contracts and swap contracts throughout 2019.</td>
<td>Opportunities presented by monetary markets have been evaluated in a proactive fashion, the negative effects of exchange rate volatility have been managed through the use of monetary market instruments. With this approach, the pressure from exchange rate volatility on costs has been kept to a minimum.</td>
</tr>
<tr>
<td>The industry is affected by the impact of exchange rate volatility on energy and electricity prices, which are the main inputs for the sector.</td>
<td>Çimsa’s strong export performance and balanced revenue structure play a key role in eliminating the potential negative impacts of exchange rate volatility on the Company’s financial health. The use of alternative fuels within the scope of operational excellence also reduces dependence on foreign currency, contributing to efforts to combat risks.</td>
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### Volatility in Commodity Prices

**Definition of Risk**

The recovery in the global economy and increase in demand on a global scale have led to a rise in raw material prices.

On the other hand, prices of inputs such as fuel and spare parts used in the maintenance of machinery and equipment have a tendency to rise in parallel with market conditions and increased demand. These changes influence product costs and, indirectly, competitive conditions.

**Çimsa's Approach**

Continuous improvement in purchasing and logistics competence and operational excellence

Backed by its team of experts, skilled in the areas of purchase and logistics, Çimsa is in a position to neutralize this change taking place in the market.

In addition to the suppliers who are active in global and national markets, movements in input prices are also monitored at first hand and relevant necessary actions are taken.

In order to manage changes in fuel expenditures, Çimsa ensures cooperation between the various functions.

As well as managing the purchase prices of existing fuels, the Company carries out adaptations to integrate other national and international-generated fuels into its processes.

The Company focuses on the purchase of raw materials, equipment and technical services from a vast pool of suppliers, working to the principle of maximising cost efficiency. In addition, Çimsa also enhances its operational excellence on a continuous basis with a wide array of projects and digitalization activities.

**Strategy**

Cash Management, Operational and Technical Discipline

Growth and Integration

### Fluctuations in Interest Rates in Global and Domestic Markets

**Definition of Risk**

Fluctuations in interest rates in global and national markets result in risks related to the debts taken on by the Company for purposes such as investment.

**Çimsa’s Approach**

Management of interest rate risks in a manner which is proactive and cost-oriented

Çimsa closely follows trends in interest rates nationally and globally, and focuses on the management of interest rate risks in the most appropriate conditions.

In this framework, the Company has closely collaborated with banks and financial institutions both nationally and internationally and deployed its Eximbank loans to the best advantage by using its advantage of being an exporter. Preferential TRY-cost loans have been provided by building foreign banks’ SWAP structures in different foreign exchanges.

**Strategy**

Growth and Integration

GRI 102-11
## OPERATIONAL RISKS

### 1. Domestic and Foreign Competition Conditions

<table>
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<th>Definition of Risk</th>
<th>Çimsa’s Approach</th>
<th>Strategy</th>
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</table>
| Turkey’s total cement production capacity continued to exceed the demand in the domestic market in 2019. However, new plant and capacity-increasing investments are continuing. This has resulted in fiercely competitive conditions for producers. On the other hand, this situation also incentivizes Turkish cement producers to operate in export markets where they can compete on a level playing field with global competitors. | A wide product mix and flexible marketing approach  
Çimsa is a global producer in grey and white cement. The diversity of its product range serves to strengthen its presence in both domestic and foreign markets.  
Çimsa’s diversified product range offers it the opportunity to quickly overcome any possible constriction in a given segment.  
On the other hand, contracting demand in the domestic market was compensated by exports and the inflow of foreign currency, especially from special products exported abroad, which became a balancing factor. | Cash Management, Operational and Technical Discipline  
Growth and Integration                                                                                                           |

### 2. Increase in Working Capital Requirement

<table>
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<tr>
<th>Definition of Risk</th>
<th>Çimsa’s Approach</th>
<th>Strategy</th>
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</table>
| The cash or cash equivalents required by a business to continue to run its daily operations compose its working capital. Essential issues such as cash management, inventory management, payables management and receivables management are handled in this direction. All such figures are measures of a company’s liquidity, efficiency and general health. | Improving the collection of trade receivables and effective inventory management  
Çimsa approaches its working capital requirements with high precision. Action on this issue is monitored in detail, and continuously monitored in the risk inventory. The basic purpose is to maximize cash flow while ensuring the continuity of all processes. Çimsa prioritises control over investment, debt management, effective collection of receivables and inventory optimization. Revising production plans and managing debt/receivable contracts accordingly contribute positively to Çimsa’s working capital. | Cash Management, Operational and Technical Discipline                                                                 |
### Large Scale Investments

<table>
<thead>
<tr>
<th>Definition of Risk</th>
<th>Çimsa’s Approach</th>
<th>Strategy</th>
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<tbody>
<tr>
<td>Large scale investments are the most preferred means of growth for companies leading their sectors and which want to have influence at an international level.</td>
<td><strong>Evaluation of appropriate risk sharing options with strategic analysis</strong> Çimsa places attention on achieving a balanced portfolio structure in terms of operations and product range. In this regard, Çimsa is the leader of its sector in special products, presenting an opportunity within this strategy and offering great potential in this area. Çimsa continues studies to expand the potential and balanced portfolio efficiency on a global basis. In line with the objectives to increase FX based revenues and the formation of a more balanced portfolio, all investments undergo detailed analysis processes and operations are monitored on a constant basis to generate maximum stakeholder value with optimum risk.</td>
<td><strong>Growth and Integration</strong></td>
</tr>
</tbody>
</table>

The main purpose of these investments is to gain a competitive edge and an economic return. Basing these investments on analysis and forecasts made with unreliable and unrealistic information and assumptions poses significant risks.

### Human Resources Profile Open to Development

<table>
<thead>
<tr>
<th>Definition of Risk</th>
<th>Çimsa’s Approach</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today it is more crucial than ever that the human resources profile and organizational structure of international companies is capable of achieving strategic goals. Possible shortcomings in this area may prevent companies from conducting their operations effectively and achieving their business goals. Therefore, the commitment of existing employees and the acquisition of young talent to the company will not only make a great contribution to company success but also constitute an investment in the future.</td>
<td><strong>Increasing employee commitment and attracting young talent to the Company</strong> In line with the Company’s focus on people, one of its main values, Çimsa has improved its human resources profile in 2019 based on its respect for people. Always placing importance on employee commitment, Çimsa has taken big steps in improving its personnel team in 2019. Within the scope of the “GenÇimsa” (Young Çimsa) program, the project which has brought 15 young talented individuals to the Company was completed, ending the deficiencies in the organizational structure. This project has not only contributed to the human resources profile but also stands as testament to Çimsa’s investment in the future.</td>
<td><strong>Digital and Cultural Transformation</strong></td>
</tr>
</tbody>
</table>

In line with the objectives to increase FX based revenues and the formation of a more balanced portfolio, all investments undergo detailed analysis processes and operations are monitored on a constant basis to generate maximum stakeholder value with optimum risk.

| | | |
| | | |
## SUSTAINABILITY RISKS

<table>
<thead>
<tr>
<th>1</th>
<th>Occupational Health and Safety (OHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition of Risk</strong></td>
<td>According to legislation, the cement industry is deemed to be in the “very dangerous” category. Construction and mechanical installation operations conducted during cement production and relevant investments are deemed to be high risk operations. Additionally, due to the negative results they may cause to the industry in the long run, health risks are also considered as risk components.</td>
</tr>
<tr>
<td><strong>Çimsa’s Approach</strong></td>
<td>The goal of operating in accordance with international OHS standards In cooperation with its highly specialized OHS Team and various professional partners, Çimsa is conducting projection projects at international standards to be implemented in all of its plants in the long term, thus enhancing its OHS culture and awareness. OHS ranks near the top of Çimsa’s priorities matrix and is considered a common responsibility for all employees.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Cash Management, Operational and Technical Discipline</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>2</th>
<th>New Legislative Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition of Risk</strong></td>
<td>There is still no mechanism in Turkey regarding a CO₂ Emission Trading System or carbon taxation. Since European manufacturers operate within the carbon trading system, additional costs occur which are reflected to sales prices.</td>
</tr>
<tr>
<td><strong>Çimsa’s Approach</strong></td>
<td>Operations conducted with the Company identity that adopts sustainability This situation positions cement manufacturers in Turkey at a more competitive level than those manufacturing in European markets, and is reflected as an advantage with respect to the cement sales prices. Having adopted sustainability through long-running studies, Çimsa has published its climate change strategy to its stakeholders. Çimsa considers the preservation of the environment and natural sources as a permanent objective.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Cash Management, Operational and Technical Discipline</td>
</tr>
</tbody>
</table>

In order to minimize the impact of risk factors on the Company’s operations, Çimsa develops policies and action plans based on each risk category and applies them within the scope of daily business cycle.
### Probability and Impact Degree of External, Operational and Sustainability Risks

The comments and explanations regarding the major risks mentioned in this section should be evaluated together with the explanations given under the heading “Risk Management and Internal Control Mechanism” on pages 114-115.

#### Probability

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

#### Impact

- Low
- Medium
- High
- Less
- More
- Similar

#### Risk Category

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Impact on ÇİMSA</th>
<th>Impact Probability of the Risk vs the Previous Year</th>
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</thead>
<tbody>
<tr>
<td><strong>EXTERNAL RISKS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Fluctuations in Exchange Rates</td>
<td>•</td>
<td>•</td>
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<tr>
<td>2 Volatility in Commodity Prices</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>3 Fluctuations in Interest Rates in Global and Domestic Markets</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>OPERATIONAL RISKS</strong></td>
<td></td>
<td></td>
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<tr>
<td>4 Domestic and Foreign Competition Conditions</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>5 Increase in Working Capital Requirement</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>6 Large Scale Investments</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>7 Human Resources Profile Open to Development</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>SUSTAINABILITY RISKS</strong></td>
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</tr>
<tr>
<td>8 Occupational Health and Safety (OHS)</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>9 New Legislative Conditions</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>
Çimsa, the pioneer of innovation in the Turkish cement industry, also recorded a solid performance in 2019, taking its international breakthroughs to a whole new level.
IN 2019, ÇİMSA CONTINUED ITS PROGRESS TO THE FUTURE WITH DETERMINATION DERIVED FROM ALMOST HALF A CENTURY EXPERIENCE, A WIDE PRODUCT RANGE AND AN INNOVATIVE BUSINESS UNDERSTANDING, GENERATING STRONG VALUE FOR THE TURKISH ECONOMY AND ITS STAKEHOLDERS.
ECONOMIC PERFORMANCE

Çimsa’s net profit was recorded at TL 13 million as a result of the contraction in the domestic market, increased leverage and the increase in depreciation due to investments coming into effect.

ÇİMSA CONTINUED TO BE A GLOBAL PLAYER IN ITS INDUSTRY IN 2019.

As a global player of the industry, Çimsa recorded TL 1,726 million of sales revenues (net) in 2019. Having focused more on export operations with the effect of the contraction in the domestic market, Çimsa’s gross export revenues reached TL 1,147 million in 2019, marking 32% growth.

The Company completed capacity investments in 2019 and focused on operational excellence. Due to the capacity investments undertaken in previous periods, the impact of increased leverage also continued in 2019. The Company conducted various transactions throughout the year for the refinancing of debt, and conducted a TL 150 million bond issuance for the first time in the Company’s history.

Çimsa’s net financial debt ended 2019 at TL 1,385 million.

Çimsa’s net profit, as measured to the equity holders of its parent, was recorded at TL 13 million as a result of the contraction in the domestic market, increased leverage and the increase in depreciation due to investments coming into effect.

WORKING CAPITAL MANAGEMENT AT ÇİMSA

Working capital is crucial for a business as it allows it to expand its business volume, to reduce risks, to avoid financial difficulty in emergency situations and to carry out its operation profitably and efficiently. A shortage or surplus of working capital may have an adverse effect on the profitability and efficiency of businesses, regardless of their type of financing.

Çimsa is aware of the vital importance of net working capital management. The Credit Risk Committee meetings held at Çimsa on a monthly basis at the CEO level ensure that the Company’s trade receivables are tracked separately from each customer and that trade receivables risk is actively managed.

With the contribution of effective management, the rate of Çimsa’s receivables which became bad debt recoveries in the Company’s total trade receivables remained low, at less than 3% in 2019.

The Company addresses inventory management - another component of working capital - during the monthly meetings. Clinker stock levels, which constitute the largest item in the inventory, are scrutinized during clinker balance meetings and planning for the coming months is conducted.

Thanks to the effective management of working capital, Çimsa managed to keep its ratio of net working capital/net sales at a level below the sector average, at around 20%.

Furthermore, Çimsa’s working capital cycle days declined from around 90 days to 70 days.

PROACTIVE COST MANAGEMENT

One of the Company’s major cost items is energy purchases. Energy supplies are dealt with in the monthly Energy Committee meeting, with the attendance of the CEO, and electricity and fuel are supplied at the most optimal prices. Çimsa manages its costs under a proactive approach.

Another important cost factor concerns raw materials purchases, and Çimsa is focused on evaluating the most suitable raw material mines for production.
Çimsa provides sustainable and strong contribution to the Turkish economy.

Source: Boston Consulting Group Analysis

ÇIMSĂ TREASURY POLICY
Çimsa’s decisions on borrowing and deposits are based on conducted cash flow projections. While preparing cash flow projections, Çimsa closely monitors the following assumptions and internalizes them in its decisions:
- Macroeconomic assumptions,
- Sales volumes and production projections, which are reviewed at the beginning of each month,
- Sales prices and maturity days projections, which are reviewed at the beginning of each month,
- Purchasing prices and maturity forecasts,
- Investment spending assumptions,
- The main assumptions that will affect the results of operations from other segments which are deemed necessary.

On the other hand, the Company’s main borrowing and deposit policy may be reviewed throughout the year, taking operating results, cash flow expectations and potential developments in the financial markets into consideration.

Treasury transactions conducted at Çimsa are reported in the Board meetings held every 2 months.

In the scope of its treasury management activities, Çimsa also uses tools such as balance sheet and exchange rate conversion differences, cash flow and balance sheet receivables/debt positions hedging instruments.

ÇIMSĂ’S CONTRIBUTION TO SDGs
With the economic value it generates within the scope of production and trading cycle, Çimsa contributes to the welfare of its stakeholders as well as contributing to the strengthening economic production capacity along the value chain.

STAKEHOLDER CONTRIBUTIONS

Output Contribution: TL 4.92 billion (≈ USD 868 million)
GDP Contribution: TL 882 million (≈ USD 156 million)
Employment Contribution: 8,557 person
THE DIGITAL TRANSFORMATION

Through the digital transformation, Çimsa aims to achieve significant time savings in addition to process standardization, reportability and transparency.

ÇİMSA’S 2022 TARGET

TO BECOME A CEMENT PRODUCER WHICH HAS ALL SYSTEMS AND INFRASTRUCTURE ON THE CLOUD

In the first quarter of 2019, Çimsa collaborated with SabancıDx and initiated digital transformation studies. The first step within this scope was the storage of sensor data of raw meal mills located in the Mersin facilities, and starting to create a large data pool.

Çimsa’s digital transformation roadmap covers the 2019-2022 period. The requirements of business units and the business making styles were taken into account while preparing the transformation roadmap. The plan set out how existing technologies would be used, as well as the new technology investment requirements in light of the data.

ELECTRICITY, FUEL AND TRANSPORTATION EXPENSES FORM THE LARGEST COST INPUTS IN THE CEMENT INDUSTRY

Cost optimization is crucial for manufacturers in the cement industry. Sector participants have recently sought to use technologies processing big data, and predictive analytic models have started to be integrated into the various processes, from operations to sales.

ÇİMSA CONDUCTS MANY PROJECTS WITHIN THE SCOPE OF DIGITAL TRANSFORMATION.

In addition to the energy optimization project conducted together with SabancıDx, Çimsa also undertakes a number of other projects including the OHS project, which was designed conceptually within the scope of TÜSİAD SD2 program and was awarded in the intensification category, the second phase of the Sales and Operations Planning project undertaken with the supply chain, the project to Protect Personal Data Infrastructure, the transition of international affiliates to the SAP Business One System, the E-Dispact Note project and the SAP Governance Risk and Compliance project, which will standardize the authorization and Solution Center studies.

PMO - PROJECT MANAGEMENT OFFICE

The Çimsa Project Management Office (PMO) is a unit that defines and protects the project management standards within the institution. The unit was established in order to centralize the operational management of the projects as well as to ensure workforce efficiency of the projects and hence bring operational convenience and cost advantages.

The PMO aims to;

- Establish corporate memory within the Company.
- Ensure production, management and monitoring of projects appropriate to Çimsa’s strategic goals.
- Improve internal and external customer satisfaction.

In addition to prioritizing the projects for Çimsa, the unit also undertakes coordination, control and reporting duties. Çimsa’s Project Management Office started to undertake work on 70 projects in 2019, 48 of which have been completed, with work on 57 new projects initiated in 2020. As of the Report date, total number of projects undertaken by POM stands at 79.
IN 2019..

- The energy efficiency project was initiated with SabanciDx in 2019 and solid steps were taken.
- As required by the Protection of Personal Data legislation, technological infrastructure preparations were completed.
- The SAP Analytics Cloud infrastructure - Çimsa’s reporting base - was put into practice with the leadership of Project Management Office and contribution of business units.
- Robotic process software started to be introduced at Çimsa on the blueprism platform.
- Hardware enhancement studies were initiated where all of these technologies will be worked on.

SAP Business One ERP infrastructure, which started to be used by international affiliates, were activated in Spain, Italy and Germany.

The quality management process came online under the leadership of the technical business unit, which was already active on the SAP ERP infrastructure.

Software infrastructure was formed with the financial business unit to record VAT reporting and incoming e-bills into the SAP ERP system with robotic software, which will have a direct positive impact on the Company’s financials. Enhancement studies are still ongoing.

Global network optimization infrastructure was activated on the IBM Cplex platform, in the first phase of the sales and operations planning project carried out under the leadership of the supply chain business unit.

ÇİMSA’S CONTRIBUTION TO SDGs

With digital transformation studies, Çimsa helps increase industrial efficiency, and contributes to the innovation and development of standards in Turkish industry with the projects it realizes.

STAKEHOLDER CONTRIBUTIONS

Through the digital transformation, Çimsa aims to achieve significant time savings in addition to process standardization, reportability and transparency.

Through the digital transformation process, Çimsa aims to achieve considerable time savings in addition to process standardization, reportability and transparency.

Acting from the principle that a company that touches its customers more digitally will gain more, Çimsa additionally aims to design the integrated action order of SAP S4 HANA system infrastructure with operational technologies in 2020 and to roll it out in the organization throughout Turkey in 2021.
INVESTMENTS

Çimsa completed USD 5.9 million of investments in 2019.

INVESTMENTS REALISED WITHIN THE SCOPE OF ÇIMSAS STRATEGIC GOALS
Investments which have been realized in line with Çimsa’s strategies are aimed at the following:
• Further consolidating of the Company’s strong position in the cement sector,
• Achieving sustainable growth and profitability through energy efficiency,
• Meeting the changing needs of customers and employees in evolving global and domestic market conditions,
• Improving its product and service range.

Determining its investment requirements meticulously in reaching its strategic goals, Çimsa realized a total of USD 5.9 million in investment in 2019, including USD 4.7 million of investment projects and USD 1.2 million in IT projects. These investments were undertaken on renewal and maintenance, digitalization/IT, sustainability, environment and occupational health and safety (OHS) at Çimsa’s facilities.

Most of the renewal and maintenance investments were completed at the Mersin Plant. Moreover, the roof of Niğde Plant stock hall, which was deemed to pose a structural and OHS risk, was replaced and the management building of the Mersin Plant, which was also deemed to pose a structural risk, was strengthened and renewal work was completed.

CIMSA AMERICAS CEMENT MANUFACTURING AND SALES CORPORATION
A white cement grinding facility in Houston, Texas, including a stock hall, mill, cement silos, and packaging units to store 50,000 tonnes of clinker and 7,500 tonnes of ingredient materials, came on stream in July 2019.

The facility, which has a capacity of 305,000 - 350,000 tonnes of cement per annum, started to sell its production from the final quarter of 2019 with the completion of test and enhancement works.

2020 EXPECTATIONS
Çimsa will continue its renewal and maintenance investments in 2020, predominantly at the Mersin Plant. The investment spending budget is USD 8 million. In addition to renewal and maintenance investments at the Mersin Plant, structural strengthening and renewal work will be undertaken at the management building of the Eskişehir Plant.

ÇIMSAS CONTRIBUTION TO SDGs
Within the scope of its investments it makes in line with its strategic goals, Çimsa, contributes to the Turkish economy by creating employment opportunities and developing decent work conditions.

STAKEHOLDER CONTRIBUTIONS
R&D AND INNOVATION

Çimsa’s Research and Application Center conducts its studies at the Building Chemicals, Concrete, Grinding, Chemicals and Mechanics Laboratories with advanced analysis methodologies.

Çimsa views R&D and innovation as an inseparable part of the company culture. Serving as a pioneer in the cement industry in terms of R&D investment, Çimsa opened the Research and Application Center Formula House back in 2000.

ÇİMSA CEMENT RESEARCH AND APPLICATION CENTER - FORMULA HOUSE
The vision of Formula House, the first R&D Center in the Turkish cement industry certified by the Ministry of Industry and Technology in 2017, is to become one of the world's leading R&D Centers in the field of building materials.

Çimsa Research and Application Center conducts its studies in the areas of Building Chemicals, Concrete, Grinding, Chemicals and Mechanics Laboratories with advanced analysis methodologies.

In addition to the specialized and well-qualified R&D personnel, technical personnel working in other functions provide support on a project basis, such as new product, application, process development and efficiency increasing studies including all processes extending from the raw materials to the final product.

Article and patent sharing presentations, with which R&D experts inform of the trends, new products and technological developments of the industry, have been carried out regularly every month with open participation at all Çimsa locations. Furthermore, studies have been conducted to ensure and improve customer satisfaction with many operations carried out jointly with customers such as product application and R&D studies.
R&D AND INNOVATION

R&D ACHIEVEMENTS AND SUCCESSES IN 2019

In 2019, various fields of expertise were specified such as Waste and Alternative Raw Materials, Cement Mills and Grinding Chemicals, Refractor etc. by taking a step towards specialization among R&D employees. Conducting projects in these fields, R&D employees are in active cooperation with all Çimsa facilities.

Within the scope of R&D studies, the Company achieved an increase in capacity and specific energy reductions through audits in cement mills and optimization in grinding chemical selection in 2019. Furthermore, there were significant achievements in cement processes and refractor usage processes in all facilities following studies on refractor selection processes and analysis of refractors which have completed their lifetime.

For the sake of the institutionalization of the information, all the studies were presented to all users by adding an R&D Center tab to Çimsa Point/, the Company’s intranet system. The issues for which there has been a request for investigation in the R&D Center are linked to a systematic by opening a study request through the portal.

“3rd Eye” project, intended to increase service quality, activated at Çimsa.

HORIZON 2020 EU PROJECT

GEOCOND, a part of the Horizon 2020 European Union Project, intended for the development of advanced materials and processes, was initiated in May 2017 to increase the underground thermal storage performance and cost efficiency of geothermal systems.

Within the scope of the project, which is 100% supported by the European Union, Çimsa - together with its partner in Turkey, Sabancı University - has been working on the design of a mortar in the wells of geothermal underground heating systems which will have the properties of having high thermal conductivity, flexibility, a fluid nature and being environmentally sensitive.

In 2019, 1.5 tonnes of the mortar, which was designed to be used in the pilot application of the project in Spain, was produced and sent, and the implementation produced positive results.

In September 2019, work started on the HyperCog project, a part of the Horizon 2020 EU scheme, which will be adopted under the title of developing performance enhancing digitalization technologies in production technologies and will last for 42 months. The project is planned to optimize the use of natural resources and to reduce environmental impacts, in addition to the digitalization of white cement production line and improvements in efficiency and product quality. Simultaneously, within the framework of the works to be conducted, a big step will be taken in the direction of industry 4.0 with the conversion to a smart factory.

Other application headings made within the scope of Horizon 2020 in 2019 are given below:
- Creation of circular economy solutions by using the building materials, which completed their economic life, in the cement production,
- Reducing CO₂ emissions by producing chemicals with economic value and industrial usage from flue gas by using photocatalytic methods,
- Providing industrial heating and cooling by using a new generation solar energy system as part of efforts to use renewable energy.
INTELLECTUAL PROPERTY RIGHTS
In 2019, the Company lodged a beneficial model application for the “Melter Providing Removal of Pollutant Materials in the Process from the System with the Dross and the Purifying Material by Increasing Process Efficiency” product, which was conducted as an R&D project and successfully completed in 2018.

Patent and beneficial model applications were submitted for the projects and completed in 2019.

CUSTOMER SATISFACTION AND PRODUCT RESPONSIBILITY
Customers are one of the key stakeholders of Çimsa’s sustainable structure. The Company has developed a perspective to meet all of the expectations and needs of its customers in a timely manner, at the highest possible level.

Within this scope, the Company reconstituted its Customer Support structure to evaluate customer experiences and expectations with a 360 degree view. The expectation is to maximize the customer satisfaction via “Solution Center”, which aim to collect all customer feedback on a global basis over different

2019 R&D AND INNOVATION PROJECTS
3D Mortar
Rainbow
Anti-Noise
Re-AL
RGB

Five new projects were initiated at the R&D Center in January 2019.

Explanations regarding the projects can be found at pages 106-107 of this Report.
R&D AND INNOVATION

mediums (call center, whatsapp, e-mail etc.) under a sole platform. In order to evaluate customer feedback and present solution-oriented results, meetings were held with the Quality, Sales and Marketing teams on a regular basis and 100% solution and reporting was ensured.

The “3rd Eye” project was activated to improve service quality. The project aims to increase customer satisfaction by conducting end to end follow-up in the logistics and operation channels of products.

Ensuring constant customer satisfaction by producing highly reliable and high quality products in line with local and international standards to meet customer needs forms the basis of Çimsa’s product responsibility understanding.

All Çimsa products contain a Material Safety Information Form (MSDS) prepared in accordance with the norms laid out in the regulation and Technical Data Sheet (TDS) to provide information on technical aspects and area of use for products; and these are shared with each customer.

The Sample Request System meets the sample demands of potential customers in the product recognition process, allowing them to choose the most suitable product themselves.

No incidences of illegality with respect to the labelling of Çimsa products were found; there have been no issues of non-compliance with regulations with regard to the marketing conditions of products, and no penalties or sanctions were imposed.

Çimsa is also responsible for the confidentiality of customer information. No complaints were received regarding any violation of privacy during the reporting period.

ÇİMSA CUSTOMER SUPPORT SERVICES;

“7 regional visit Turkey’s customer has realized 50.

“On a global scale, technical support and market development operations were conducted in the US, Australia, Albania, Israel, the Netherlands, Germany, India, Slovenia, Austria, Tanzania and Thailand.

ÇİMSA’S CONTRIBUTION TO SDG
Çimsa constantly enhances and develops its R&D and innovation projects, its production processes and its products. This process also serves the Company’s target to protect the environment and to tackle climate change, providing a wide-range contribution to the sector, employees and consumers.

STAKEHOLDER CONTRIBUTIONS

In 2019, more than 500 customers were given remote technical support and joint projects were conducted with 35 customers.

CUSTOMER TECHNICAL ASSISTANCE OPERATIONS IN 2019
Çimsa’s Customer Technical Assistance Unit offers high added value technical assistance services to its domestic and international customers. Maintaining customer satisfaction in the after-sales process and improving customer loyalty are at the heart of these services.

Consisting of experts employed in various segments such as building chemicals, precast and refractor, Çimsa’s Customer Technical Assistance Unit offers reliable solutions from the end product to implementation.

White cement and calcium aluminate cements, which are developed under a segment-oriented approach, were adapted to the customer processes, and final product studies were realized and reported in line with customer requirements.

Support activities were conducted for the technical documentation and application brochures for the newly developed products.

The Unit participated in local and international events to research new application development fields, to conduct studies in line with customer goals and to promote Çimsa products.
ÇIMSA HAS CREATED A FAIR AND EGALITARIAN WORKING ENVIRONMENT IN THE FIELD OF HUMAN RESOURCES.

The Human Resources vision of Çimsa is to “Create the human resources infrastructure of the Çimsa of the Future with HR systems which respect people, are digital, transparent, innovative, reliable, sincere and open to development and improvement”, while it works to a mission of “Ensuring organizational change and development as the most preferred employer brand with new generation employees, backed by its new generation HR approach”.

Çimsa’s main goals in terms of human resources are the protection of employee rights, the development of talented individuals, ensuring equal opportunity for both male and female employees, ensuring the best standards in terms of occupational health and safety and maintaining a fair and egalitarian working environment.

Increasing the leadership qualities, knowledge and skills of its employees at all levels, regularly measuring the organizational environment and establishing organizational and human resources infrastructure which will support the Company’s strategies are the focal points of Çimsa’s human resources practices.

Training and development programs are designed with an approach to improve the competences of Çimsa’s human resources with a focus to make positive contribution to the Company performance.

Çimsa runs several internal training and education programs aimed at enhancing and increasing the capabilities and skills of its employees. These programs are designed specifically for Çimsa, by taking into account the needs of employees within the framework of predetermined principles and policies. Within this scope, Çimsa prepares development programs with the best companies in its field at home and abroad and presents it to its employees.

Additionally, employees at Çimsa which offer high potential are also able to benefit from the annual Sabancı Holding development programs.

Employees are also offered management competency development programs, occupational health and safety training, foreign language courses, personal development and career advancement training and professional knowledge development training programs. In addition, employees are given opportunities to develop themselves with Management Support as well as assignment in different functions and through rotation.

Çimsa conducts its work in the field of human resources within the framework of its vision to create a high performance culture.
HUMAN RESOURCES

IN 2019, ÇİMSA PROVIDED A TOTAL OF 49,443 PERSON HOURS OF TRAINING TO ITS EMPLOYEES.  
(2018: 40,529 PERSON HOURS)

- White collar employees 15,565.7 person hours
- Blue collar employees 33,877 person hours
- A total of 49,443 person hours of training were provided.

The preparation and organization of necessary training and development programs, the formation of the rotation plans and the creation of tools to develop their competencies are carried out by Human Resources Department at Çimsa.

Achieving absolute success through the right use of the opportunities offered by the Management Support and Human Resources Department depends on the initiative of the employees.

ÇİMSA ACADEMY

All of Çimsa’s development programs were gathered under the Academy structure, the foundations of which were laid in 2019.

ONE TEAM

Çimsa has initiated the “High Performing Leader Team” program in order to transform its senior executives into a high performing team as a whole, through change and development. Pressing ahead with the one-voice one-heart mission, the objective of the program is the transformation of a group of successful professionals into a higher-performing team.

NEXT GENERATION CAMP DEVELOPMENT PROGRAM

Aiming to offer employment opportunities for university graduates, Çimsa conducts New Graduate Recruitment Projects in certain periods. With this program, which was launched to achieve a higher and more sustainable level of efficiency in the workforce, new graduates who have started working for Çimsa are given the opportunity to specialize in their areas of expertise.

Within the scope of the program, regular training is provided to support the professional and personal development of the newly recruited graduates in line with the New Generation Sabancı. In addition to training, regular events are also included in the program so these recruits gain new experiences in the changing and developing world of Çimsa. At the end of the program, trainees will support business processes with their projects, which will generate added value for Çimsa.

PROCESS IMPROVEMENT ENGINEERING DEVELOPMENT PROGRAM

In line with Çimsa’s objectives, policies and strategies, the individual and professional development program, which includes in-house and external training, was initiated in 2019 for engineers who seek the new and the better in business processes.

GENÇİMSA (YOUNG ÇİMSA) PROGRAM

The Gençimsa (Young Çimsa) Program was launched in 2019 to bring young talent to Çimsa. With the project, the target is to create a brave, passionate, sincere, continuous development oriented, participatory, digital and people-oriented young generation to Çimsa in line with the “New Generation Sabancı” vision.

A total of 10,788 applications were received for the Gençimsa Program, with 65 potential candidates identified following video interviews and pre-selection were structured and included in the Evaluation Center applications. The process in which a total of six Evaluation Centers were implemented was finalized through panel interviews with Çimsa senior management and 15 high profile young talents were brought to Çimsa.

IN 2019, ÇİMSA PROVIDED A TOTAL OF 49,443 PERSON HOURS OF TRAINING TO ITS EMPLOYEES. 
(2018: 40,529 PERSON HOURS)

- White collar employees 15,565.7 person hours
- Blue collar employees 33,877 person hours
- A total of 49,443 person hours of training were provided.

GRI 103-2, 103-3, 404-1, 404-2, 404-3
GenÇimsa (Young Çimsa) program, which was designed to bring young talent to Çimsa, was implemented in 2019.

In the process, many tools such as video interviews, the evaluation center, panel interviews with senior management, feedback sessions, small gifts given to participant candidates, special notes for candidates which the Company is unable to proceed with, which were written by the Deputy General Manager of Human Resources, gifted books and detailed orientation programs were used.

Some of the feedback from those participating in GenÇimsa are given below:

• This morning I received the letter and book which you mentioned. It is a very thoughtful gesture and it proves the value that Çimsa places on people. I was very happy and wanted to thank you again.
• I have just received your presents; really there are so many things that I have experienced for the first time. I hope I do not have to say it on only one day; thanks for everything.

THE ÇİMSA LEADER DEVELOPMENT PROGRAM

The foundations of the Çimsa Leader Development program were laid in 2019 for mid-level managers, who will lead Çimsa in the future, and KF4D inventory was applied to all managers. According to the results of the inventory, one-to-one feedback was presented to the managers in the areas where they have strengths as well as the areas where they need to improve. Furthermore, all leaders were applied Leadership Styles and Organizational Climate Inventories. The development programs, which were designed in accordance with the results, will be rolled out in 2020.

OCCUPATIONAL HEALTH AND SAFETY LEADERSHIP PROGRAM

The planning of the program, which started during 2019, was designed with the objective of raising OHS professionals which have high qualifications and competencies in the integration of occupational health and safety, to meet the needs of a developing industry and increasing production demand.

2FUTURE PROGRAM

The program, which includes the Internal Mentoring processes, was launched in 2019 in order to create a global perspective at Çimsa that values different opinions and gains up-to-date and creative approaches.

IDEA FACTORY

Çimsa attributes importance to participation and focuses on continuous development.

With the Idea Factory system, Çmsa employees are able to convey their creative ideas, opinions, enhancement and development suggestions through the online portal or in a written form. This approach ensures the participation in the processes and that development opportunities in all areas are evaluated.

The suggestions can be made in all business fields where the Company operates, in the areas of OHS, quality, maintenance, production or the environment. All employees may participate in the Idea Factory system, and the ideas conveyed to the system are first taken to the evaluation and implementation processes, and ideas evaluated positively are rewarded by scoring them in line with the specified criteria.
Criteria based on evaluations consist of the Originality/ Creativity, Diffusion, Quality and Contribution sub- dimensions.

A total of 49 suggestions were conveyed to the Idea Factory in 2019.

**COLLABORATIONS WITH UNIVERSITIES**

In line with the objective of bringing a high quality workforce to the industry, Çimsa attaches great importance to collaborations with universities. The Company increases the relationship between industry and academia by accessing the universities based on the objectives and the location.

Collaborations with many universities in the fields of academic consultancy and training services continue within the scope of the projects conducted. Furthermore, in order to contribute to the efforts to raise the qualified workforce that the Company needs, the Company continued to support high school and university students in compulsory internship processes. Within this scope, a total of 145 students completed an internship at Çimsa in 2019.

**HUMAN RIGHTS MANAGEMENT, BUSINESS ETHICS AND COORDINATION OF HUMAN RESOURCES PROCESSES**

The protection and promotion of human rights in the workplace is a key component of Çimsa’s business culture.

Çimsa resolutely endorses the provisions of the UN Global Impact which it ratified, the relevant ILO declarations and the Universal Declaration of Human Rights.

Employee performance is measured in equal conditions and evaluated fairly in human resources processes and applications at Çimsa, with an objective and systematic approach. Equal opportunities are offered to all employees regardless of their age, gender, race, language, religion, ethnic background or other personal attributes, with no discriminatory treatment.

All topics on discrimination and employee rights are managed by the human Resources Unit, the SA-Ethics Rules Counsellor and the Disciplinary Committee.

Çimsa does not allow practices such as working under force or duress or child labor in its operations and expects its suppliers to also adhere to these principles in their operations. The required working conditions are clearly set out in the service agreements and specifications signed with subcontractors in order to guarantee alignment in these areas, while suppliers are audited through visits.

During the reporting period, all current and new suppliers were audited based on workforce and human rights criteria, but no instances of non-compliance were found.

**ÇİMSA RESPECTS THE RIGHTS OF COLLECTIVE LABOR AGREEMENTS AND ASSOCIATION.**

Çimsa attaches importance to the creation and efficient pursuit of a healthy professional relationship between the management and employees. In this respect, Çimsa ensures that its employees are able to use their collective labor agreement and enjoy freedom of association.

A total of 635 blue collar Çimsa employees were within the scope of the collective agreement at the end of 2019.

The syndication membership rate among all employees stands at 55%. Relationships based on trust and dialogue are established with the syndicates in order to maintain a peaceful workplace environment, and syndication issues are managed effectively without dispute.

**A PROUD COMMITMENT FOR ÇİMSA - THE WOMEN EMPOWERMENT PRINCIPLES (WEP)**

Çimsa joined the “Global Compact Turkey Women Empowerment Work Group” in 2015 in order to encourage social gender equality initiatives in the private sector through inter-company learning processes.

In 2016, the Company signed the Women's Empowerment Principles (WEPs) published by the UN Global Compact, and undertook to develop and implement Company policies which will improve social gender equality. These principles offer rules and suggestions which will serve as guidance on the empowerment of women in the workplace, the markets and in society.

Çimsa became one of the 53 Turkish companies to sign the WEPs among more than 1,100 companies joining worldwide. Despite operating in a sector with few female employees and where there are limits to
Çimsa joined the “Global Compact Turkey Women Empowerment Work Group” in 2015 to support the social gender equality initiatives of the private sector with inter-company learning processes.

the recruitment of women, thanks to its supportive practices Çimsa has been able to set an example for industrial institutions and other sectors where the majority of employees are men.

Çimsa participated in the Business World Against Domestic Violence (BADV) project, which is undertaken in cooperation of Sabancı Holding and Sabancı University. Supporting its employees by publishing the “Tackling Domestic Violence” policy, Çimsa has also become a member of “Yanındayız” (We Stand By You) association.

EFFICIENT COMMUNICATION THROUGHOUT THE ORGANIZATION

Employee Representative meetings are held regularly at Çimsa’s facilities in order to reach employees in all locations and to provide them with the opportunity to share their views and suggestions with the management.

Information sharing meetings enable employees from all functions in all Çimsa plants to come together with the CEO.

THE HUMAN RESOURCES BUSINESS PARTNER MODEL

Çimsa has switched to a Human Resources Business Partner model in order to meet changing needs more quickly and effectively, in line with the framework of Company vision and values. With the new model, which entered into effect from 1 June 2019, the target is to proactively meet the needs by being in a close relationship with the functions and the employees.

Employees and business partners are the main contacts in the HR field from the first point they establish a relationship with Çimsa until their last days in the Company. This ensures process efficiency as well as creating a positive and happy employee experience by taking more flexible and fast actions.

“EQUALITY AT WORK”

Applying the “Equality at Work” principle in all of its processes, Çimsa offers equal opportunities to both male and female employees. The total bonus amounts, compensation and benefits packages for both men and women working in similar positions at the same levels were structured in accordance with the Equality at Work principle.

Individual Performance Management assessments are performed to equal conditions for male and female employees and are reflected at equal levels in the business results.

Çimsa encourages the employment of women in business and supports their participation in the management. A total of 31 women were hired by the Company in 2019.

The ratio of women in Çimsa’s Executive Board members is 25%. Çimsa believes that its suppliers and subcontractors should also increase the recruitment of women in their operations. In this context, the Equality at Work commitments and relevant provisions have also been included in the supplier and subcontractor service purchase agreements since 2014.

The Flexible Benefits Program, which was put into effect in 2015 and which aims to address the changing needs of employees and give them freedom of selection, also continued in 2019 with birthday leave, scorecard day leave, remote working, flexible working hours and free dressing model.
ÇİMSA TALKS
Çimsa’s employees are given talks from internal or external speakers with their inspiring speeches twice a month, in an effort to internalize Sabancı competencies and spread values. In this context, 11 sessions were held in 2019.

ÇİMSA DÜKKAN (STORE)
Çimsa employees are provided with the opportunity to replace existing side benefits determined as being interchangeable with flexible side benefits and purchase items within the framework of the determined rules. Accordingly, through flexible side benefits program “Çimsa Dükkan (Store)”, which is opened every January, employees may obtain cheques for textiles, cosmetics, food and retail items by selling some or all of their permit allowances (provided they are over and above the legal requirement), or have the balance loaded on meal cards, and/or downgrade their health insurance programs to a more basic plan.

REWARDING
Çimsa rewards its employees for exemplary behavior within the scope of their contribution to the Company and the value they create. Employees are evaluated on the basis of factors such as the frequency of good behavior, its effect on the Company, its quality and the area it contributes to, and rewarded for example in the form of gifts, food or social cheques.

In order to encourage R&D studies, R&D projects are rewarded separately. In this context, different amounts of gold awards are given depending on the subject of the project.

Moreover, employees involved in various projects under the leadership of the Project Management Office at Çimsa’s development process are rewarded in accordance with the contribution of the project to the Company results. Within this scope, 44 projects were completed in 2019 throughout Çimsa and 130 people were rewarded.

CLEAN DESK
The Clean Screen and Clean Desk Policy aims to eliminate risks that may arise as a result of unauthorized access or improper use of private Company information within and outside working hours. This policy is also aimed at the more effective use of office areas and to provide a more flexible working environment.

The confidentiality of passwords, reduction of waste through storing documents electronically, separation of wastes, keeping sensitive information in locked cabinets and transmitting information with passwords electronically, storing Company documents on cloud platforms instead of local disks, keeping desks organized and using plain language in e-mails are among the actions taken.

SUBCONTRACTOR PROJECT
Çimsa pays attention to the development of all of the stakeholders it works with along and their compliance with Çimsa policies. Developed within this context, the A+ Subcontractor Project was aimed at identifying and minimizing risks and to review legal processes. The project, in which contracts of 58 subcontractor firms were examined, has set a good example to the cement industry.

HR-WEB-ORGANIZATIONAL SUCCESS PLAN (OSP) SYSTEM
The Organizational Success Plan (OSP) process, which is one of the Sabancı Group’s most important talent management processes, has transitioned to an HR-Web system. With the HR-Web system developed by SabancıDx, the Organizational Success Plan process can be tracked and managed digitally.

Thanks to the tracking and reporting tools of the new system installed in 2019, the system can be monitored instantly and the OSP process can be managed more rapidly, effectively and efficiently. At the same time, corporate memory is created by keeping records on a digital system.
Çimsa rewards its employees for exemplary behavior within the scope of their contribution to the Company and the value they create.

**HR-WEB-RECRUITMENT SYSTEM**

The HR-Web system developed by SabancıDx allows the recruitment process within the Company to be digitally monitored, and the process to be managed on an end-to-end basis from a single platform. By keeping application records in the recruitment process on a digital system, it is possible to find and manage the best talent by performing filtering appropriate to open positions in the pool of candidates from different channels.

**HR-WEB-TRAINING SYSTEM**

Within the scope of the HR-Web system developed by SabancıDx, in 2019 Çimsa rolled out the training module created to transfer the training system to a digital environment, and to enable monitoring of the training system. Thanks to the planning, monitoring and reporting tools of the new system that has started to be used, processes are provided which are faster, more effective and more efficient.

**ÇİMSA HUNTERS**

Working with the Company’s internal resources, Çimsa Hunters is a platform that aims to find innovative and entrepreneurial universities and/or entrepreneurs who create added value, have technological expertise, are R&D innovation based and meet real needs in the locations where the Company is located.

This platform is aimed to consist of individuals from different locations, who are able to master the Company’s processes and uphold its vision, who demonstrate enthusiasm on entrepreneurial issues and who are capable of taking on new processes which are beneficial to the Company.

**YEAR END MEETINGS**

Every year in December, the Company CEO and the senior management go to all plant locations to gather with the employees. During these events, referred to as Year End Meetings, Information Sharing Meetings are held with the participation of all blue/white collar employees at the relevant location where the year is evaluated in terms of sector and Çimsa interactively. Severance-success plaques are presented at the dinners organized in the continuation of the process, and the New Year is celebrated in what is an enjoyable occasion for all.
ÇİMSA’S CONTRIBUTION TO SDGs
With its inclusive approach adopted in the field of human resources, Çimsa contributes and serves as a model in terms of gender equality and female employment in business life. Meanwhile, in addition to offering a safe and healthy working environment for its employees, the Company provides its human resources with competitive fiscal rights and continuous development opportunities.

STAKEHOLDER CONTRIBUTIONS

WHITE COLLAR TIER PROJECT
In 2019, all job definitions were re-evaluated by reviewing the Çimsa business family model. In this study, which was conducted together with the Korn Ferry consultancy firm in the March 2019 - November 2019 period, business sizes were determined for all roles within the Company and a new tier system was introduced after comprehensively examining the market conditions, purchasing power and the wages and the positions in the sector.

The new wage policy, which will provide balance and competitiveness within the Company, has been determined and put into practice in accordance with the new tier structure.

THE ONE TEAM-ONE VOICE PROJECT
Çimsa initiated the “Joint Culture Management” program in order to prepare for the future by shaping the vision, strategies and joint working culture which will support the competitiveness of the Company in the international arena. The purpose of this program is to define the values and principles which will determine common behaviors, ways of doing business and relationship models specific to the Company, and to realize the necessary action plans to make them sustainable. This program is conducted in cooperation with Sabancı University EDU which has expertise in its field, as well as local and international experience.

Within the scope of the program, the common cultural values and principles that will carry the Company to the future will be defined together with the participation of executives and employees.

The project got underway by performing 16 one-to-one meetings with the senior management team in order to identify the existing and desired culture. A total of 17 workshops were conducted with the participation of 500 employees at all locations by selecting sample groups. The first phase was completed by conducting the Culture Survey with the participation of all employees. The second phase, which includes the design of common values, principles and the action plan will be completed next year, with the third phase, which includes the internalization, expansion and implementation support processes to be completed thereafter.

THE ÇİMSA FAMILY MAGAZINE
The Çimsa Family Magazine, where innovations and developments within the Company can be followed closely, was renewed in 2019 and its new version published in July. Published on a quarterly basis, four issues of the magazine were published in 2019.
Training and development programs are designed with an approach focused on improving the competencies of Çimsa’s human resources and contributing positively to the Company’s performance.

### HUMAN RESOURCES

<table>
<thead>
<tr>
<th>Total Workforce (persons)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Total</td>
</tr>
<tr>
<td>Direct placement</td>
<td>58</td>
<td>1,096</td>
<td>1,154</td>
</tr>
<tr>
<td>Contracted company employees</td>
<td>75</td>
<td>1,442</td>
<td>1,517</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
<td>2,538</td>
<td>2,671</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Workforce as per Category (persons)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Total</td>
</tr>
<tr>
<td>Blue collar</td>
<td>-</td>
<td>671</td>
<td>671</td>
</tr>
<tr>
<td>White collar</td>
<td>58</td>
<td>425</td>
<td>483</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>1,096</td>
<td>1,154</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Workforce by Education (persons)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary school</td>
<td>79</td>
<td>67</td>
<td>66</td>
</tr>
<tr>
<td>High school</td>
<td>573</td>
<td>584</td>
<td>557</td>
</tr>
<tr>
<td>University degree and above</td>
<td>502</td>
<td>479</td>
<td>525</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Workforce by Age Group (persons)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>72</td>
<td>67</td>
<td>44</td>
</tr>
<tr>
<td>26-35</td>
<td>472</td>
<td>452</td>
<td>452</td>
</tr>
<tr>
<td>36-45</td>
<td>468</td>
<td>474</td>
<td>499</td>
</tr>
<tr>
<td>46 and above</td>
<td>142</td>
<td>137</td>
<td>153</td>
</tr>
</tbody>
</table>
Çimsa’s unwavering objective is to keep anticipated Occupational Health and Safety (OHS) risks under control with a proactive approach and to ensure that Çimsa’s employees return safely home every day “without being exposed to any accidents”.

Cement production is classified as a “very dangerous” activity, while ready-mixed concrete operations are classified as “dangerous”. Çimsa closely follows the legal regulations set by international standards as well as the legal regulations on Occupational Health and Safety set out in Law No. 6331 as prepared by the Ministry of Family, Labor and Social Services of the Republic of Turkey. To this end, the Company is constantly advancing the safety of its work fields every day and acts with the aim of zero accidents.

Training and application studies which raise the awareness of occupational safety of all units within the Company are conducted on a regular basis. In the field of OHS, Çimsa implements policies to ensure that:
- the main employer and subcontractor employees are informed,
- amendments in legislation are shared with the organization through effective communication,
- OHS metrics are always included in the Company and employee goals,
- audit, near-miss reporting and non-conformity amount values are accepted as key performance indicators,
- OHS is internalized such that it becomes part of the corporate culture with regular reporting practices.
THE OHS STRUCTURE OF ÇİMSA

At Çimsa, the operational responsibility of the Occupational Health and Safety (OHS) management is assumed by the senior management. In this framework, all activities to raise awareness of OHS, all decisions taken and the operational responsibility for the management of OHS is represented at the senior management level in the Company.

OHS Board Meetings are held on a monthly basis in line with the OHS Training Program. Moreover, OHS meetings are held in all facilities on a weekly basis.

OHSAS 18001 IMPLEMENTED IN ALL ÇİMSA FACILITIES.

With the exception of the Afyon Cement Plant, all Çimsa plants and ready-mixed concrete facilities are OHSAS 18001 Occupational Health and Safety Management System certified.

The OHSAS 18001 system is constantly supported through training, information, audit and improvement activities, while the structure of OHS committees, the assignment of employee representatives, OHS specialists and on-site doctors along with internal inspections, risk analyses, fire drills and contingency action plan topics are managed in accordance with legal regulations.

Within this concept, OHS targets and performance results are periodically monitored and evaluated in OHS committees as part of the agenda. A total of 117 members serve in 6 Çimsa OHS committees, 14 of whom are employee representatives.

The collective labor agreements Çimsa signs with syndicates also include OHS topics. Precautionary measures, reporting of illnesses and injuries and work safety rules to be followed are regulated in the scope of the collective agreements.

STRENGTHENING OHS AWARENESS THROUGH CONTINUOUS TRAINING

Çimsa supports its employees with practices developed to increase awareness of OHS and with continuous training programs.

Çimsa has continued to intensively provide training programs aimed at raising knowledge and awareness of Occupational Health and Safety among its employees and subcontracted employees. In 2019, the Company organized 54,201 hours of OHS training activities for Company employees and subcontracted employers. OHS training activity hours increased by 104% compared to 2018.

In 2019, Pneumoconiosis trainings were conducted by the on-site doctors in all facilities at Çimsa in order to raise awareness of occupational illness.

ÇİMSA EMPLOYEES OHS TRAINING

<table>
<thead>
<tr>
<th>Year</th>
<th>Person Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>26,512</td>
</tr>
<tr>
<td>2019</td>
<td>39,133</td>
</tr>
</tbody>
</table>

The amount of training on OHS provided by Çimsa to its employees increased by 48% in terms of hours in 2019.

SUBCONTRACTOR TRAINING

<table>
<thead>
<tr>
<th>Year</th>
<th>Person Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>32,010</td>
</tr>
<tr>
<td>2019</td>
<td>15,068</td>
</tr>
</tbody>
</table>

Training hours declined since the number of subcontractor employees decreased.

SIGNIFICANT REDUCTIONS ACHIEVED IN RATE OF ACCIDENTS IN ALL OPERATING FIELDS

Çimsa’s vision is to reach a “Zero Work Accident” level. The 2025 target, which was set based on 2018 figures, is to reduce the accident frequency ratio below 3, and the accident severity rate to below 0.15. The accident frequency ratio was reduced from 8.73 in 2018 to 6.15 in 2019.

Systematic field audits are deemed to be one of the most important tools in reaching this goal. On the other hand, respecting OHS regulations, notifying the Company of all kinds of work accidents, risky situations and near-misses have been determined as primary duties of all employees. Furthermore, annual internal audits, external audits of certification institutions, third party audits, Sabancı Holding’s external insurance audits and the OHS performance are constantly monitored.
Thanks to the systematic activities conducted by Çimsa in the scope of OHS, the rate of accidents has decreased in all of its operation facilities.

Between 1 January - 31 December 2019, a total of 25 work accidents with lost days occurred and 25 employees were reported as victims of such accidents. As a result of a study into the accidents carried out at Çimsa's facilities, the main causes of the accidents which took place during the cement production processes were as follows:

- engineering/design,
- failure to conform to work regulations, or lack of adequate regulations,
- lack of training,
- inadequate risk analysis before the work.

After these factors were determined, necessary improvements were put in place.

ÇİMSA WINS CORPORATE SUSTAINABILITY AWARD.

Since potential OHS risks vary at Çimsa facilities, a target was set to form multi-layered Digital OHS Solutions. The Eskişehir Plant was specified as the pilot area for the project.

- Personnel Tracking
- Work Permit Tracking
- Forklift-Pedestrian Interaction
- Pedestrian Crossing Control
- Plant General Control
- Facility Security and Monitoring by Drone.

By combining OHS with digitalization, Çimsa started to take steps to eliminate occupational accidents in cement production, which is considered a difficult area of production. One of the major reasons behind the occupational accidents was the situation of unauthorized or unpermitted persons in risky places.

OHS IS AN INispensable Priority for ÇİMSA.

SYSTEM

OHS system is identified as a Company strategy at Çimsa, and definition of risk, its supervision and its management are crucial within this system. Having been developed with the identification of proactive development fields, the OHS Management System is continuously supported by training, information, supervision and enhancement works.

FIELD

For Çimsa, the OHS field is made up of cement factories, ready-mixed concrete plants and road vehicles. In Çimsa fields, risk analysis is performed on a regular basis and inspections are conducted in order to eliminate the potential causes of damage and injury.

HUMAN BEING

At Çimsa, people are at the core of OHS. Çimsa aims to make its employees aware and cautious of risks at all times with its people focused approach. Past practices have catalyzed a change of behavior for workers, their families and the whole community with respect to occupational health and safety.
The target is to eliminate occupational accidents by personnel tracking and to facilitate smarter machinery-human interaction. Çimsa was awarded the Corporate Sustainability Award for this project at the Success Stories ceremony, organized by TÜSİAD S2.

**OHS PORTAL**

With the OHS Portal software, all accident reports, notifications of risky situations and near-misses, root cause analysis, audit plans and actions, monthly and annual AFR and ASR reporting, OHS board reports, working hours, illness related day loss reports, risk analyses and audit reports are followed by all Çimsa employees in a digital environment. Moreover, the OHS Audit application is also followed through the OHS Portal software.

Appointed by the OHS Unit, white collar employees conduct audit work in the field every day. By making OHS contact with blue collar employees, OHS auditors share their observations regarding compliance with the procedures and instructions as well as OHS behavior through OHS Portal System Audit Applications in the digital environment.

In 2019, a total of 3,217 audits were planned and implemented for plants and ready concrete facilities through the OHS portal.

Çimsa’s audit implementation comes in 3 forms:
- Daily audits
- Audits covering a 24 hour period during revision periods
- Night audits when an “EMERGENCY SITUATION” is declared in the event of deviations in annual OHS targets.

**DIGITAL APPLICATION WITH OHS SCORECARD ON THE OHS PORTAL SYSTEM**

Within the scope of the application which is tracked for blue collar employees and subcontracted employers and employees, the Occupational Health and Safety scorecards of employees in their teams are prepared on a monthly basis by the team leaders. The methods and actions to be implemented for the development of employees are determined, and the 1st and 2nd managers to which the employee is affiliated conduct one-to-one studies by sharing the Occupational Health and Safety scorecards, which are prepared on monthly basis, with the factory management in the following meetings.

**QDMS**

OHS documents are stored in the digital corporate memory with QDMS software. The OHS Hand Book, OHS Policy, procedures, instructions and forms are shared in a digital environment which all employees may access easily.

In 2019, a total of 3,217 audits were planned and implemented for plants and ready concrete facilities through the OHS portal.
**THE UNION OF CEMENT EMPLOYERS (ÇEİS)**

Intended for high risk job categories in the cement industry, such as working at height, LOTO (Lockout-Tagout), fire related jobs, working in confined spaces and safe working in preheaters, the Çimsa OHS committee member representative plays an active role in the meetings, contributing to the preparation of the relevant guidance.

April 28th is set as “World Day for Safety and Health at Work” by the International Labour Organization (ILO). World Day for Safety and Health at Work is a campaign led by the ILO at the international level to promote healthy, safe and decent working conditions.

With the suggestion of the ÇEİS OHS Board, which directs the operational health and security activities of the ÇEİS, and with the approval of the ÇEİS Board of Directors, April 28th is celebrated at the World Day for Health and Safety at Work at all Çimsa plants within the framework of the motto of “Healthy Life”, which is the theme of 2019.

The aim of this event, which was organized under the motto of “Take Action for a Healthy Life!” is to increase the awareness of the work being conducted at the plant to promote a healthy life. At the event, Çimsa employees and their families were informed of how it was possible to live a healthy, happy and long life by protecting themselves from illness with simple physical activities which can be carried out in daily life, as well as giving up smoking and daily changes in healthy nutrition.

**LOTTO INFORMATION CARD**

Based on the international LOTO standard, CFR 1910.147, Çimsa designed the LOTO Information Card at the Niğde Plant, and started to circulate it to all Çimsa plants.

The targets of LOTO Information Card implementation are specified as follows:

- to prevent possible error by visually indicating LOTO points to the personnel,
- ensuring the usage of appropriate LOTO equipment at the unit,
- to carry out the implementation by ensuring those working in the plants are aware of the mechanical/electrical energy types at LOTO points,
- ensuring the introduction of the system to personnel who may be unfamiliar with the implementation, who have either just joined the unit or who are undertaking temporary work,
- reminding personnel to fill in the permission forms.

**ÇİMSA’S CONTRIBUTION TO SDGs**

In line with the OHS principles, Çimsa takes all measures to create a safe and healthy work environment and supports the development of the OHS culture within the Company as well as in the sector. The Company also activates necessary improvements in order to achieve zero accident and zero loss targets.

**STAKEHOLDER CONTRIBUTIONS**

Events were held at the World Day for Safety and Health at Work at all Çimsa plants within the framework of the title of “Healthy Life”, which was the theme of 2019.
Çimsa aims to implement a working environment where people care about each other and are allied to one another, promoting a proactive culture.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cement Plants</td>
<td>Ready-Mixed Concrete Facilities</td>
</tr>
<tr>
<td><strong>Injury Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>8.73</td>
<td>3.95</td>
</tr>
<tr>
<td>Female</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Male</td>
<td>9.15</td>
<td>4.04</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>1.74</td>
<td>10.04</td>
</tr>
<tr>
<td><strong>Occupational Illness Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>5.16</td>
<td>0.00</td>
</tr>
<tr>
<td>Female</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Male</td>
<td>5.41</td>
<td>0.00</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>0.43</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Loss Day Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>188.06</td>
<td>355.66</td>
</tr>
<tr>
<td>Female</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Male</td>
<td>197.23</td>
<td>363.74</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>12.59</td>
<td>246.57</td>
</tr>
<tr>
<td><strong>Absenteeism Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>1,614.75</td>
<td>0.00</td>
</tr>
<tr>
<td>Female</td>
<td>980.62</td>
<td>0.00</td>
</tr>
<tr>
<td>Male</td>
<td>1,645.70</td>
<td>0.00</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>716.29</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Number of Accidents With Loss Day</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Male</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Mortal Injury</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Çimsa Employees</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Female</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Male</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Contractor Employees</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Çimsa started to disclose these figures from 2019.
CLIMATE AND ENERGY

Climate change, the impacts of which are felt in many areas, has become one of the most important issues facing the world. The business world has also increased its sensitivity to the risks presented by climate change. In the current period, tackling climate change requires the target of reducing consumption of natural resources.

In addition to producing cement, Çimsa contributes to the national economy by carrying out energy recovery, acting as a pioneer in its sector. Within this scope, Çimsa further reinforces its contribution to the cement industry with the strategies and policies it follows. In drawing up its strategies and policies, the Company works with the support of the entities it is a member of.

**ACTIVITIES REALIZED WITH CORPORATE MEMBERSHIPS**

- Support received from sources of technical information through its membership of the Global Cement and Concrete Association.
- Joint studies have been carried out with the sector through Çimsa’s membership of the Environment and Climate Committee under the Turkish Cement Manufacturers’ Association (TÇMB).
- Through its membership of TÜSİAD, Çimsa contributed to the Attitude Document published by TÜSİAD on “Zero Waste and Evaluation of Circular Economy Implementations in the Industry”.
- Through its membership of the Association of Construction Material Producers (İMSAD), Çimsa contributed to the Sustainability Committee.
- Provided contribution to the UN Global Compact Turkey Environment Working Group.
- Carbon Disclosure Project (CDP) and Climate Change and Water Reports are published.

Çimsa is moving towards a low carbon future to reduce emissions of CO₂, a greenhouse gas which can cause climate change.

**ÇİMSA’S CLIMATE CHANGE STRATEGY**

Çimsa’s strategy is to perform annual greenhouse gas emission calculations in accordance with its greenhouse gas inventory studies, to designate goals for future projections and to develop solution methods to reduce emissions.

Çimsa has two separate objectives for grey clinker in contributing to the efforts to tackle climate change and to achieve the sustainable development goals.

Çimsa set a target to cut its total gross CO₂ emissions from grey clinker production by 5% by 2025, with respect to 2017 levels. In line with this target, a decrease of 15.65% in total gross CO₂ emissions from grey clinker production was achieved between 2017 and 2019.
The target is to reduce the CO₂ rate per ton of clinker by 1.95% in 2025, based on 2015 figures. The list of measures to carry out to achieve this goal is as follows:

• To follow production processes with energy efficiency measurements,
• To improve process efficiency,
• To increase the cement content ratio,
• To use alternative energy resources.

ÇİMSA’S ALTERNATIVE FUEL & ALTERNATIVE RAW MATERIAL STRATEGY

Çimsa aims to continuously increase the use of alternative fuels and alternative raw materials in order to realize its cement production with a more ecological approach by taking into account social factors as much as economic factors.

In order to reduce the consumption of natural resources, the cement sector provides energy recovery with Combined Combustion using alternative fuels, which have calorific value, instead of primary fuels (such as coal and petrocoke).

Measures to Reach Alternative Fuel Targets

The Company undertakes necessary measures to use household waste to produce fuel from household waste (RDF, Refused Derived Fuels), generated as a result of the installation of Mechanical and Biological Pre-processing Facilities on municipality landfill areas. These fuels are produced from solid wastes of metropolitan municipalities in the provinces where the plants are located, and from the rotary kilns. Hazardous or non-hazardous industrial alternative fuels are also used in this regard.

Within this scope, the Company liaises with metropolitan municipalities through the Turkish Ministry for Environment and Urban Planning.

Measures to Reach Alternative Raw Material Targets

Çimsa uses alternative raw materials from factories from other sectors within the context of industrial symbiosis, rather than natural raw materials. The Company further develops its contacts with other sector enterprises in the regions where the plants are located for the sake of permanent sustainability.

Çimsa aims to continuously increase the use of alternative fuels and alternative raw materials in the production process.

ALTERNATIVE FUEL RATIO AT ÇİMSA PLANTS*

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.8%</td>
</tr>
<tr>
<td>2019</td>
<td>7.5%</td>
</tr>
<tr>
<td>2025 Target</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Grey cement production

WASTE POLICY AT ÇİMSA

• Our target is to provide waste management solutions by using waste, to be a solution partner.
• Our target is to ensure a clean environment by using waste.
• Our target is to add value to our main operations by using waste.
• Our target is to protect the health of employees by eliminating and managing waste through contemporary methods.
• We will guarantee the quality of the product while using waste.
• Our target is to comply with the relevant regulations in the use of waste and to implement best practices within the framework of the laws and ethical values.
• Our target is to monitor and check inputs, processes, products and emissions while using waste.

GRI 102-11, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7
Energy management is a priority issue at Çimsa along with its sustainability strategy.

**ÇİMSA’S 2019 PERFORMANCE IN THE MAIN TARGETS OF ITS ENERGY MANAGEMENT**

**CONSUMPTION OF ALTERNATIVE FUELS**
Consumption of alternative fuels, which primarily have high calorific values, also plays a role in the waste management process of other industries, as well as minimizing the environmental impacts from waste. Thus, the energy recovery method in the waste management hierarchy is used for alternative fuels which cannot be recycled.

All five of Çimsa’s integrated plants hold a “Waste Incineration License” within the scope of Çimsa’s targets to increase the use of alternative fuels and reduce greenhouse gas emissions.

Çimsa’s grey cement production co-incineration rate, which stood at 6.8% in 2018, increased to 7.5% in 2019. The Company’s objective is to achieve an alternative fuel rate of approximately 10% by 2025.

**ENERGY EFFICIENCY**
Energy management is a priority issue at Çimsa along with its sustainability strategy.

The Company achieved energy efficiency in Scope 2 specific energies with the investment completed at the Niğde Plant in 2017 within this scope. This energy efficiency led to a 35% reduction in CO₂ emissions per kg of cement between 2016 and 2019.

With the investment to convert waste gas into electricity undertaken at the Mersin Cement Plant in 2012, savings were achieved in terms of recovery, contributing significantly to energy efficiency. Emissions of CO₂ were reduced by 21,950 tonnes within this scope in 2019.

---

**NIĞDE PLANT’S SCOPE 2 EMISSION VALUES CO₂/TON CEMENTITIOUS**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td>54</td>
<td>58</td>
<td>42</td>
<td>35</td>
</tr>
</tbody>
</table>

The Company achieved energy efficiency in Scope 2 specific energies with the investment completed at the Niğde Plant in 2017 within this scope. This energy efficiency led to a 35% reduction in CO₂ emissions per kg of cement between 2016 and 2019.

**LAST 2 YEARS’ DATA OF THE MERSİN PLANT’S WASTE GAS HEAT FACILITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Generation from Waste Heat (MWh/year)</td>
<td>44,016</td>
<td>46,504</td>
</tr>
<tr>
<td>CO₂ Saving due to Electricity Generation from Waste Heat (Tons/year)</td>
<td>20,776</td>
<td>21,950</td>
</tr>
</tbody>
</table>

*Grey Production*
CONSUMPTION OF ALTERNATIVE RAW MATERIALS

In the cement industry, alternative raw materials are used in two different ways: first, to use alternative raw material at the stage of clinker production, which is a semi-finished product in cement production, instead of natural raw materials. The second is to use alternative raw materials in cement production, as well as natural additives added to the clinker at certain rates, without disturbing cement quality norms. Alternative raw materials and additives are various materials which are either natural or mostly waste, or by-products from other industries.

Reductions in the use of natural resources in the cement sector, which is characterized by the intensive use of raw materials, is essential in achieving sustainability in the use of resources and sustainability of economic cycles.

Including project based studies, Çimsa increased the use of alternative raw materials in 2019 when compared to previous years. Work is ongoing to extend the “Industrial Symbiosis Applications”, which were initiated at the Eskişehir Plant, to the other facilities as well.

INDUSTRIAL SYMBIOSIS APPLICATION

Industrial symbiosis is defined as the exchange of substances and energy between two independent industrial enterprises which are similar in nature. Within this scope, industrial symbiosis involves long-term partnerships and working in solidarity to enhance both environmental performance and competitive power, by gathering two or more industrial establishments which would, preferably, be physically close to each other, but working independently of each other. Industrial symbiosis involves bringing together independent enterprises within the framework of a more sustainable and innovative resource utilization approach.

Our mission: Within the mission of being respectful to people and the environment, to increase the use of alternative raw materials and protect our natural resources by using alternative raw materials suitable for our business processes, under a sustainability approach.

Çimsa received a B rating in the 2019 CDP Climate Change and Water Report.

THE OBJECTIVES OF INDUSTRIAL SYMBIOSIS PROJECT

- To create symbiosis between industrial enterprises
- To reduce clinker and cement costs
- To protect raw material core resources
- To achieve operational excellence
- To reduce the use of natural raw materials and CO₂ emissions as part of efforts to achieve a sustainable environment

THE PROJECT IMPLEMENTED BY ÇİMSA IS ALSO ASSESSED IN THE SUSTAINABILITY REPORTS, CONTRIBUTING TO THE ENVIRONMENTAL AND ECONOMIC DIMENSIONS OF THE COMPANY STRATEGY.
CLIMATE AND ENERGY

GREENHOUSE GAS EMISSIONS AT ÇİMSA
Çimsa is moving towards a low carbon future to reduce emissions of CO₂, a greenhouse gas which can cause climate change.

Çimsa uses the methodology developed by the World Business Council for Sustainable Development (WBCSD) and the Global Cement and Concrete Association (GCCA) in its calculations of greenhouse gas emissions generated by the processes in its cement plants.

After its greenhouse gas emissions are verified by an independent audit company, Çimsa submits the reports to the GNR database of the GCCA within the framework of the “Assurance Declaration”. To this end, Çimsa is able to compare itself with other GCCA member countries to assess its own performance.

Çimsa received a B rating in the 2019 CDP Climate Change and Water Report.

<table>
<thead>
<tr>
<th>Pollutant Emissions</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dust Emissions (ton/year)</td>
<td>87.53&lt;sup&gt;1&lt;/sup&gt;</td>
<td>74.46&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Dust Emissions (g/ton clinker)</td>
<td>15.11&lt;sup&gt;1&lt;/sup&gt;</td>
<td>14.26&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total NO$_x$ Emissions (ton/year)</td>
<td>7,346.66&lt;sup&gt;1&lt;/sup&gt;</td>
<td>7,765.23&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific NO$_x$ Emissions (g/ton clinker)</td>
<td>1,268.32&lt;sup&gt;1&lt;/sup&gt;</td>
<td>1,486.62&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total SO$_2$ Emissions (ton/year)</td>
<td>67.51&lt;sup&gt;1&lt;/sup&gt;</td>
<td>153.34&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific SO$_2$ Emissions (g/ton clinker)</td>
<td>11.66&lt;sup&gt;1&lt;/sup&gt;</td>
<td>29.36&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total Toxic Heavy Metal Emissions (ton/year)</td>
<td>0.22&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.22&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Toxic Heavy Metal Emissions (g/ton clinker)</td>
<td>0.04&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.04&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total Volatile Organic Compound (VOC) Emissions (ton/year)</td>
<td>117.98&lt;sup&gt;1&lt;/sup&gt;</td>
<td>68.36&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Volatile Organic Compound (VOC) Emissions (g/ton clinker)</td>
<td>20.37&lt;sup&gt;1&lt;/sup&gt;</td>
<td>13.09&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total Dioxin-Furan Emissions (g/year)</td>
<td>0.02&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.02&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Dioxin-Furan Emissions (g/ton clinker)</td>
<td>0.003&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.004&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total Mercury Emissions (ton/year)</td>
<td>0.01&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.005&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Mercury Emissions (g/ton clinker)</td>
<td>0.002&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.001&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total Cd+Ti Emissions (ton/year)</td>
<td>0.05&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.01&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific Cd+Ti Emissions (g/ton clinker)</td>
<td>0.011&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.002&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total HCl Emissions (ton/year)</td>
<td>0.34&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2.85&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific HCl Emissions (g/ton clinker)</td>
<td>0.06&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.55&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total HF Emissions (ton/year)</td>
<td>0.83&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.75&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Specific HF Emissions (g/ton clinker)</td>
<td>0.14&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.14&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>1</sup>Spot Measurement  
<sup>2</sup>Continuous Measurement

AFYON PLANT CEMENT SPECIFIC (KG CO₂/TON CLINKER)/YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>975</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>858</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>843</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>858</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 Cementitious Gross Specific CO₂ Emission (kg CO₂/ton)</td>
<td>808&lt;sup&gt;‘&lt;/sup&gt;</td>
<td>823&lt;sup&gt;‘&lt;/sup&gt;</td>
</tr>
<tr>
<td>Grey Cementitious Gross Specific CO₂ Emission</td>
<td>782</td>
<td>800</td>
</tr>
<tr>
<td>White Cementitious Gross Specific CO₂ Emission</td>
<td>904</td>
<td>897</td>
</tr>
<tr>
<td>CAC Cementitious Gross Specific CO₂ Emission</td>
<td>828</td>
<td>836</td>
</tr>
</tbody>
</table>

<sup>‘</sup>Grey + White + CAC

With the low carbon technology investment made in the Afyon Plant in the past years, a decrease of up to 12% per ton clinker was achieved from 2016 to 2019.
In addition to cement production, Çimsa contributes to the national economy by achieving energy recovery, acting as a pioneer in its sector.

ROTARY KILN EMISSIONS
In the cement production process, dust and gas is also emitted from rotary kilns in addition to the greenhouse gas emissions. Measured by accredited laboratories at periods determined under continuous measurement systems and related regulations, dust and gas emission values have remained below the threshold values specified in the regulation, thus complying with the legislation.

DUST EMISSIONS
In order to reduce dust emissions, which is one of the main types of emissions occurring in the raw materials and production processes of the cement industry, Çimsa uses bag filtering, covered conveyor and stock hall applications.

NO\textsubscript{x}, SO\textsubscript{2} AND OTHER POLLUTANTS
In the cement production process, pollutants such as nitrogen oxides (NO\textsubscript{x}), volatile organic compounds, metals, hydrogen fluoride (HF), hydrogen chloride (HCl), dioxin and furan are released. All these emissions are calculated by continuous monitoring devices in accordance with the relevant legislation and reported to the competent authorities. The amount of nitrogen oxides (NO\textsubscript{x}) gases emitted from the combustion process is reduced with the Selective Non-Catalytic Reduction (SNCR) system. In the system installed at the plant, ammonia aqueous solution is used with approximate 25% dilution. Thanks to the sensors moving together with the flue gas continuous measurement system, ammonia solution is injected to certain points in the process by automatic activation. Thus, ammonia, which reacts with combustion gases, reduces NO\textsubscript{x} emissions in the atmosphere.

ÇIMSİA’S CONTRIBUTION TO SDGs
With its approach adopted in the field of climate and energy and with the projects it has put in place, Çimsa supports national climate policies, embodying its contribution to the transition to low carbon economy.

STAKEHOLDER CONTRIBUTIONS

gccassociation.org

GRI 102-11, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7
ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL MANAGEMENT IS AN INSEPARABLE AND COMPLEMENTARY ELEMENT IN ALL OF ÇİMSA’S PROCESSES.

Environmental management at Çimsa is performed by the executive management of the Company with the strategies identified with a risk and opportunity focused approach and through evaluation together with risk management outputs, by taking into consideration sustainability and circular economic principles, and by complying with relevant legislation.

The Environmental Management Unit is responsible for the tracking of environmental management strategies.

Çimsa’s commitment within the framework of its environmental policy is to continuously improve its environmental performance and to provide sustainable contributions to its activities and society.

Çimsa’s operations are based on the life cycle, economic cycle, sustainable development and continuous improvement principles.

The processes, which are identified in line with the Environmental Policy and TS EN ISO 14001:2015 Environmental Management System, are tracked at Çimsa and converted into implementations. Within the context of the TS EN ISO 14001:2015 Environmental Management System, internal audits are carried out and improvement and investment work is conducted with action plans where needed.

Legal compliance is a prerequisite in environmental management. Environmental management teams work to maintain full compliance with legal regulations in terms of the process and performance on environmental management issues. Thanks to the proactive approach followed, no incidents of non-compliance with environmental laws and regulations during the reporting period were recorded and no legal sanctions or penalties were imposed.

Çimsa's policies, strategies, procedures, working instructions and regulatory activities are included in the corporate automation system, the QDMS.

**ENVIRONMENTAL POLICY AND TS EN ISO 14001:2015**

Çimsa’s policies, strategies, procedures, working instructions and regulatory activities are included in the corporate automation system, the QDMS. As such, documents may be recorded, so all operations to be carried out can be monitored.

Çimsa places importance on the following main approaches in its processes:
- Approaches to minimize its environmental impact and preventive approaches,
- Compliance with legislation and all applicable regulations,
- Prioritizing clean technologies and applying the best available techniques,
- Sustainability approach,
- Efficient and effective use of resources,
- Measurement to reduce the corporate water footprint.

**LEGAL COMPLIANCE IS AT THE HEART OF ENVIRONMENTAL MANAGEMENT WORK.**

Çimsa’s environmental management operations are subject to both internal and external audit. Internal control teams review process functionality and its compliance with procedures. The validity of the ISO 14001 Environmental Management System is subject to an independent audit process on a periodical basis.

Çimsa’s environmental management processes are also audited by public institutions within the framework of relevant legal regulations. Environmental management teams work to ensure full compliance with legal regulations in terms of process and performance in all environmental management elements.

**ÇİMSA WATER MANAGEMENT**

Well water and public water supplies are used as sources of water at Çimsa, with most of the water used for cooling, de-dusting and irrigation processes. Various measures are implemented to reuse the natural spring water consumed in all facilities.

**TL 5.5 MILLION IN ENVIRONMENTAL INVESTMENTS**

**MERSİN PLANT**

- Renewal work was conducted to dedust the electrofilter by conducting renovation of the smokestack at the Clinker Cooling Unit Clinker.
- The water, steam and fuel oil lines were renewed through improvement work.
- Renewal work was conducted to ensure dedusting by renewing the bag filters at the rotary kiln main smokestack.
- Renewal work was undertaken for dedusting in clinker stock halls.

**NIĞDE PLANT**

- Enhancement works were conducted to ensure dedusting by renewing the bag filters at the rotary kiln main smokestack.
- In the regions where logistics is intense, field concrete work was undertaken and improvement works were carried out for dedusting.

![](image)

**REUSED WATER m³**

<table>
<thead>
<tr>
<th>Year</th>
<th>Reused Water m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>32.178</td>
</tr>
<tr>
<td>2019</td>
<td>37.151</td>
</tr>
</tbody>
</table>

*Amount of reused water at Afyon, Kayseri and Eskişehir Plants.*
To this end, a “Water Footprint Inventory Report” is prepared each year in order to summarize and validate the systematic work carried out to achieve the objectives.

With the preparation of the Water Footprint Inventory Report, it is aimed to achieve the following:
- Entering the list of leaders with the CDP Water Report
- Providing necessary equipment for the production-based measurement of the water consumed in all factories (tons of water/tons of clinker)
- Reducing the consumption of natural resources
- Compliance with the discharge limits specified in the Regulation on Water Pollution Control

In accordance with the ISO 14046 Water Footprint Standard, Çimsa updates this certificate through an audit and confirmation process carried out by an independent auditor each year.

The ISO 14046 Water Footprint certificate was updated in 2019 by integrating Afyon Cement Plant.

The Water Footprint Inventory Report is prepared for internal use within the Company and the results of the report are used in the CDP Water Report.

Çimsa detailed the volume of water consumed and the volume of water that was polluted at in the water footprint study which it conducted.

In a bid to reduce household and industrial water consumption and increase the quality of the water removed from the enterprise, planned studies have been carried out by the Company which are listed below:
- Household type wastewater released from the Çimsa Eskişehir, Kayseri and Afyon plants are reused as gas coolant water after purification. This method not only prevents the discharge of purified water but also reduces water consumption.
- Wastewater released from the Mersin Plant is processed at the biological waste water purification facilities before being transferred to the receiving bodies once the quality of the wastewater in the discharge section reaches the required levels and the environmental permits are secured.
- At the Niğde Plant, household wastewater is directly discharged into the city sewer. At the Ankara Plant, wastewater is collected in a septic tank before being transferred to the municipal treatment system.

A waste management system is implemented at Çimsa to process hazardous and non-hazardous waste.

In order to ensure production in line with the principles of preserving natural resources, environmental sustainability and sustainable development, and to reduce the volume of waste which needs to be stored, it is crucial to prevent the formation of packaging wastes, placing priority on reusing and recycling for use as a source of energy.

A waste storage area supervisor is on duty in every facility so waste can be smoothly handled at each facility. All waste produced in each facility is defined and the frequency and amount of the waste is determined. Çimsa determinates the legislation which wastes are subject to, the method and the frequency of waste collection and the transportation, temporary storage and maximum storage period of the waste. Hazardous waste is sent to disposal facilities depending on the type of waste and the codes for its disposal while combustible wastes are burned together in facilities which hold a waste license to provide energy recovery.

Çimsa initiates its works before bringing mining fields into operation for preventing any negative impact on natural life and minimizing the environmental impact of mining operation.

An Environmental Impact Assessment (EIA) process is carried out following the designation of the mining field. With this assessment, all potential environmental and social impacts, including the impacts on biodiversity, are identified and necessary measures are put in place.
ÇİMSA’S MINING OPERATIONS AND BIODIVERSITY

Major raw materials of cement production
• limestone,
• clay,
• shist
and similar materials.

“Ecological Recovery Plans” are prepared with the approval of public institutions to carry out mining operations which have environmental, social and economic impacts, in a manner which will respect the natural environment and restore land where mining has taken place to its original state.

Çimsa’s approach to biodiversity management, which is also included in the content of the UN Sustainable Development Goals, is shaped by the principle of not causing permanent negative effects to the environment, and even to contribute positively to the environment. Performance on biodiversity, which is also a part of the corporate performance system, is also used in evaluating the individual performance of employees.

WORK WITHIN THE SCOPE OF APPROVED ECOLOGICAL RECOVERY PLANS

36.08 hectares

Between 2015 and 2019, rehabilitation activities were completed on the entire 36.08 hectares of mining sites where operations had been conducted.

As of 2019, Ecological Recovery Plans for 760.71 hectares of Çimsa’s land were approved by relevant public authorities.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining fields with approved ecological recovery plans (hectares)</td>
<td>609.62</td>
<td>760.71</td>
</tr>
<tr>
<td>Active mining fields (hectares)</td>
<td>956.69</td>
<td>1,019.09</td>
</tr>
<tr>
<td>Rehabilitated fields (hectares)</td>
<td>0.73</td>
<td>18.35</td>
</tr>
</tbody>
</table>

ÇİMSA’S CONTRIBUTION TO SDGs

Çimsa contributes to the global goals through its efforts in terms of protecting the natural resources, ensuring production in line with sustainable environmental and developmental goals, and recycling of waste and its use as an energy source.

STAKEHOLDER CONTRIBUTIONS

CORPORATE SOCIAL RESPONSIBILITY

In 2019, Çimsa actively performed its corporate communication activities, conducting 360 degree communication operations from press activities, events, and sponsorships to corporate social responsibility activities in line with its business strategies. The Company rounded off a very active and successful year with new memberships and awards in line with its vision.

YAZ ÇOCUKLARI

In today’s ever-globalizing world, in addition to generating economic value, companies are actively contribute actively to society through social responsibility projects targeting the development of society and individuals.

As a brand aware of corporate social responsibility projects and the importance and value of providing benefits to society through these projects, Çimsa continued its uninterrupted work in the field of corporate social responsibility in 2019.

Planning and implementing its corporate social responsibility activities with a long term perspective and with the objective of creating lasting value, Çimsa conducts projects which focus on the environment and on people, and which aim to raise the welfare levels of both individuals and society as a whole.

Education and children are at the core of the corporate social responsibility activities, which are carried out in a systematic and planned manner at Çimsa. Placing emphasis on providing a contribution to children in the field of education, which is one of the most vital areas for our country, Çimsa also conducts social responsibility projects in the fields of health, the environment, culture and the arts, and sport.

ÇİMSA’S CONTRIBUTION TO SDGs
Çimsa demonstrates the value it adds to society through long-term and systematic corporate social responsibility projects. The Company designs such activities with an approach focused on children, education, the environment and individuals with disabilities. Çimsa aims to extend the benefit created by its work on social responsibility by expanding its scope to a wider audience.

STAKEHOLDER CONTRIBUTIONS

Yaz Çocukları project was initiated by Çimsa in Niğde in 2011 with the participation of 32 children, with the aim of contributing to their development. The total number of children participating in the Çimsa Yaz Çocukları Project had reached approximately 1,000 as of the end of 2019. As part of the project, one psychologist, three drama teachers and three physical education teachers provide two-week-long courses to children aged between 7 and 12.

Initially, the project was realized with the participation of the children of the employees from Çimsa’s Niğde Plant, and was expanded in following years to include children from nearby villages. The project, which has been ongoing for 9 years, was also carried out in Mersin in 2016 and in 2017, and the project moved to Kayseri for the first time in 2018.
MERSİN DISABILITY WEEK

Due to the Disability Week, Çimsa contributed to the provision of battery operated wheelchair to disabled individuals in collaboration with the Mersin Metropolitan Municipality in 2019. A total of 191 battery operated wheelchair were presented as gifts in the project, which has been continuing for 5 years.

TOFD

A contribution was made to the Plastic Lid campaign that has been run by the Spinal Cord Paralytics Association of Turkey (TOFD) since 2011 through the collection of plastic bottle lids. With the support given to the campaign and through the income generated from the recycling of the lids, a contribution was provided to the purchase of battery operated and manual wheelchairs for the disabled.

SPONSORSHIPS

Çimsa supported the 12th Corporate Governance Summit held in 2019 by the Corporate Governance Association of Turkey (TKYD). Board members and senior executives from Turkey’s leading companies met at the “12th Corporate Governance Summit”. During this important Summit, in which both Turkish and foreign expert speakers participated, and which was closely followed by the financial press, the latest developments in corporate governance were shared with participants with the support of Çimsa.

EVENTS

- Çimsa attended the sector’s most prestigious International Building and Construction Fair - the World of Concrete (WOC) - in 2019.
- Held on 29-31 January in Texas, Çimsa attended the Underground Construction Technology (UCT) fair with Recipro and Rego, which are members of the Çimsa Aluminates family.
- On 15 March 2019, Çimsa organized a Vision Meeting for the first time in its history. The meeting, which took place with the participation of approximately 350 employees from all locations, continued with an packed agenda throughout the day and attracted a great deal of interest from the participants.
- Iftar (fast-breaking) meals were organized in cooperation with the municipalities of the cities where Çimsa’s plants are located. A total of 10,000 people joined the iftar meals in the four provinces.
- Çimsa moved to its new headquarters located in Atatürk, Istanbul on April 1st.
- On 24-26 June, Çimsa attended to the Cement Industry Conference INTERCEM 100, one of the industry’s leading conferences, promoting Çimsa’s grey cement, white cements and special products at its stand.
- The Construction Chemicals Seminar was organized for the fifth time in 2019, in an event which has become something of a tradition in the industry. The opening speech of the seminar, which brought together Çimsa’s business partners and some of the world’s leading academics, was made by the CEO of Çimsa, Ulkü Özcan. Ozcan remarked that Çimsa had been pioneering the development of the cement industry in Turkey and in the world by investing in innovation and technology in all of its business processes.
- In the interests of promoting Social Gender Equality, employees from Sabancı Group and Çimsa took part and ran in the 41st Istanbul Marathon together with the Yanındayız Association under the motto of “It’s Worth Running”.
- Çimsa met its business partners in Athens, where the 2019 year was evaluated and the targets for 2020 were discussed. The business partners also enjoyed a sightseeing tour during the meeting.
- In 2019, a “Cement Day” meeting was organized for the first time under the roof of the Sabancı Holding Cement Group in order to share its vision and mission in the cement industry with its business partners. The meeting was held with the participation of 400 business partners.
CONTRIBUTION TO SOCIETY

AFYON PLANT

A MEANINGFUL PRESENT TO STUDENTS FROM ÇİMSA
Çimsa employees met the winter clothing needs of students from the Nuribey Primary School in Afyon and provided support to students who go to school in difficult weather conditions.

AFYON CEMENT PLANT DONATED BLOOD.
In collaboration with Kızılay (the Turkish Red Crescent Association), Çimsa organized a blood donation campaign.

INTERNATIONAL BOOK GIVING DAY
Çimsa gave books as a present to Halimoru Village Primary School students in the International Book Giving Day.

Çimsa purchased these books from a web site which supports street animals, and hence also helped street animals in need of treatment.

KAYSERİ PLANT
Çimsa continues to raise environmental consciousness, which is among the most important issues for the Company. Employees from the Çimsa Kayseri plant gathered voluntarily to plant pine saplings.

Çimsa donated 118 units of blood as part of the Blood and Stem Cell Donation campaign which was carried out with Kızılay.

Visits took place to students from the Bünyan Sümner Primary School on several occasions in 2019, and in addition to individual presents, students were given games which they can play collectively and which support their development, while the primary school students were given books.

Çimsa sent gifts to the Yünören Şehit Jandarma Onbaşı (Martyr Gendarme Corporal) Ramazan Koca Primary School.

Located in the Akmescit village of Kayseri’s Bünyan district, students from the Akmescit Garip Altemel Primary School were treated to a visit where the students received scorecard gifts.

AN EXAMPLE OF ENVIRONMENTAL RESPONSIBILITY AT ÇİMSA: THE NİĞDE RECYCLING PARK
With the cooperation of employees from the Çimsa Niğde Plant, the Niğde Recycling Park was launched which was designed with the aim of developing environmental awareness and raising awareness about the importance of protecting nature.

The Recycling Park handles sustainability under an integrated perspective by generating added value for the Company’s environmental and social regulations. At the opening ceremony of the Recycling Park, it was underlined that the healthy and sustainable conservation of natural resources was essential for a future we could all live in, while emphasizing that protecting nature was the duty of all humanity, especially industrial organizations.

In the Recycling Park, which was built at the Niğde Plant to accumulate wastes building up as a result of daily consumption of materials such as glass, metal, paper, cardboard and plastics, and to ensure their healthy recovery of them, flowerpots were also made, designed from vehicle wheels, water pipes, hard hats, pet bottles and teapots, as well as decorative objects made from old bicycles and wooden tables that were renewed by painting.
Within the scope of “Waste Battery Collection Campaign” initiated by Çimsa aimed at increasing environmental awareness among children, 26 kg of waste batteries were collected. Waste batteries collected with the contribution of 25 children were sent to the Portable Battery Manufacturers and Exporters Association for disposal.

ESKİŞEHİR PLANT
Çimsa came together with the families of its employees as part of the “Children’s Festival” organized in Eskişehir. In the fun tracks set up for children, Çimsa employees hand pressed the factory walls together with their families with the motto “Don’t Forget OHS, Don’t Let Go of My Hand” in order to draw attention to the importance of OHS.

MERSİN PLANT
With the “Mersin Su Dostları Takımı” set up in 2015 to instill an awareness of the importance of water among children, Çimsa visited four schools over four years, reaching a total of 1,124 school students. Bringing gifts to the schools visited on March 22, World Water Day, Çimsa explained the importance of saving water to the students and what can be done to save water.

Within the scope of the campaign carried out together with Kızılay, a total of 86 of Çimsa’s employees donated blood and 37 donated bone marrow.

Çimsa provided 250 Ramadan packages to the families in need in Mersin.

NIĞDE PLANT
Çimsa organized a blood donation campaign in cooperation with the Kızılay.

Çimsa visited the Alparslan Primary School in Niğde and explained the importance of education to school students there and presented books and sports equipment to contribute to their success.

Çimsa employees voluntarily painted the walls of the Niğde Martyrs Forest Park.

OTHER CSR WORK

RAISING AWARENESS WITH LÖSEV
Çimsa organized an event to support the Foundation for Children with Leukemia (LÖSEV) with the motto of slogan “I Wear My Mask I Create Awareness”, during Children with Leukemia Week between November 2-8. Çimsa employees supported LÖSEV with the stand opened by LÖSEV at Çimsa’s Mersin, Niğde, Kayseri and Eskişehir plants.

SPONSORSHIP OF THE AFYONKARAHİSAR MUNICIPALITY YOUTH AND SPORTS CLUB ASSOCIATION
Çimsa sponsored the expenses of the Amateur Men’s Basketball Team, which are included in the activity program of the Afyonkarahisar Municipality Youth and Sports Club Association in the 2019-2020 season, for the competition of national and international contests and the preparation of these competitions.
ANNUAL REPORT OF THE BOARD OF DIRECTORS

PREPARED WITH RESPECT TO COMMUNIQUÉ NO: SERIES: II-14.1 1 JANUARY - 31 DECEMBER 2019 ANNUAL REPORT OF THE BOARD OF DIRECTORS
1. GENERAL INFORMATION

1.1 Accounting Period of Report: 01 January - 31 December 2019

1.2 Trade Name of the Company: Çimsa Çimento Sanayi ve Ticaret A.Ş.
Trade Register Number of the Company: İstanbul Trade Registry, 708500
MERSIS (Central Trade Registry System): 0257 0035 2450 0307
Website of the Company: www.cimsa.com.tr

1.3 Capital
The Company is subject to the registered capital system, the registered capital ceiling is TL 200,000,000, and the paid up capital is TL 135,084,442.

1.4 Shareholding Structure
The capital structure reflecting the company’s shareholding structure is as follows.

<table>
<thead>
<tr>
<th>SHAREHOLDER</th>
<th>SHARE RATIO (%)</th>
<th>SHARE AMOUNT (TL)</th>
<th>NUMBER OF SHARES (ITEM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HACI ÖMER SABANCI HOLDİNG A.Ş.</td>
<td>54.54</td>
<td>73,674,200.73</td>
<td>7,367,420,073</td>
</tr>
<tr>
<td>AKÇANSA ÇİMENTO SANAYİ A.Ş.</td>
<td>8.98</td>
<td>12,130,560.00</td>
<td>1,213,056,000</td>
</tr>
<tr>
<td>OTHER SHAREHOLDERS</td>
<td>36.48</td>
<td>49,279,681.27</td>
<td>4,927,968,127</td>
</tr>
<tr>
<td>GENERAL TOTAL</td>
<td>100.00</td>
<td>135,084,442.00</td>
<td>13,508,444,200</td>
</tr>
</tbody>
</table>

1.5 Privileged Shares and Voting Rights
There is none.

1.6 The Board of Directors
Tamer SAKA
Chairman

Hakan TİMUR
Deputy Chairman (As of 25 January 2020)

Barış ORAN
Deputy Chairman (Until 24 January 2020)

Serra SABANCI
Deputy Chairman (Until 31 March 2019)

Gökhan E YiGÜN
Member

Ali ÇALIŞKAN
Member (As of 25 January 2020)

Fatma Dilek YARDIM
Independent Member

Mehmet Nazmi AKDUMAN
Independent Member

1 The Deputy Chairman of the Board of Directors Ms. Serra SABANCI resigned with effect from 31 March 2019, and as of 1 April 2019 Mr. Hakan TİMUR was elected in lieu as a board member, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held. He was appointed as the Deputy Chairman of the Board of Directors as of 25 January 2020.

2 The Deputy Chairman of the Board of Directors Mr. Barış ORAN resigned with effect from 24 January 2020, and as of 25 January 2020 Mr. Ali ÇALIŞKAN was elected in lieu as a board member, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held. He was appointed as the Deputy Chairman of the Board of Directors as of 25 January 2020.

During the Annual General Meeting held on 27 March 2018, the election for membership to the Board of Directors was held as the term of office of the members expired. Their term of office was determined as three years, until the Annual General Meeting to be held in 2021, in which the results of activities in 2020 will be discussed.

As also stated in the Company Articles of Association, the Board of Directors consists of six members elected in accordance with the Turkish Code of Commerce and the Capital Market Law. There are two independent members among those who were elected at the General Assembly. The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of the Capital Market Law and Turkish Code of Commerce.
Members of the Board of Directors

Tamer SAKA  
Chairman

Tamer SAKA graduated with a Bachelor’s degree, a Master’s degree and a doctorate degree from the Business Administration Faculty at Istanbul University. He served as a Manager and Senior Manager in charge of the Risk Management Consulting services at Arthur Andersen and Ernst Young respectively. Tamer SAKA joined Sabancı Holding as the Risk Management Director in 2004. He undertook a duty as the Managing Director in charge of business development activities for nearly 20 countries, including Turkey, at Willis in London in 2010 and 2011. As of December 2011, he undertook the duty of Strategic and Business Development Coordinator at Kibar Holding. As of May 2012, Tamer SAKA was continuing to serve as the President of Automotive and Corporate Functions Group and as Board Member at Kibar Holding. He had served as the CEO of Kibar Holding since 2014. Since 1 April 2018, Tamer SAKA has been the Chairman of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş.

Hakan TİMUR  
Deputy Chairman (As of 25 January 2020)

Having graduated from the Department of Economics (English) at Istanbul University, and holding a Master’s degree in the Energy and Technology Management Graduate Program from Sabancı University, Hakan TİMUR began his professional career in 1997 at Marsa-Kraft Foods International before taking up a posts in Sabancı Group as the Human Resources Manager in the Sabancı Food Group, and then as the Sabancı Holding Human Resources Manager, the Global Human Resources Director at Kordsa Global and then as Deputy General Manager of Human Resources at Akçansa, in addition to undertaking the management of climate and cultural development, transformation management, strategic management of human resources processes at Enerjisa as well as corporate communication management and business excellence operations. He was involved in the Sabancı Holding Talent Pool from 1998 to 2000 and the Sabancı Leader Team (SALT) development programs in 2009. Hakan Timur serves as Sabancı Holding Human Resources Group President and was elected to serve as the member of the Board of Directors at Çimsa as of 1 April 2019. He was appointed as Deputy Chairman with effect from 25 January 2020.

Barış ORAN  
Deputy Chairman (Until 24 January 2020)

Born in Çanakkale in 1973, Barış Oran graduated from the Department of Business Administration of Boğaziçi University, and completed an MBA degree at the University of Georgia. He began his career as an Auditor at Price Waterhouse Coopers in 1995, before joining Sara Lee Corp. Chicago IL, first working on auditing and later in finance and treasury/capital markets between 1998 and 2003. He held office at Ernst and Young between 2003 and 2006, first at Minneapolis, MN, before serving as the Senior Manager in charge of the Europe, Middle East, Africa and India Regions. Mr. Oran started working for Kordsa Global in 2006, and he held positions as Audit Director, Global Finance Director and then as the CFO. In 2011, he was appointed as the Finance Director of the H.O. Sabancı Holding and in 2012, he was appointed as the Manager of the Planning, Reporting and Finance Department. Since 2016, he has been serving as the Head of the Finance Group of the H.O. Sabancı Holding. He was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş.’s Board of Directors as of 16 October 2015. He was appointed as Deputy Chairman with effect from 1 April 2019, and then resigned from the position as of 24 January 2020.

Serra SABANCI  
Deputy Chairman (Until 31 March 2019)

Serra Sabancı was born in Adana in 1975, and completed her undergraduate studies at the University of Portsmouth and at the Department of Economics at Istanbul Bilgi University, where she graduated as the top student. Serra Sabancı worked at Temsa and took trainings on Company Acquisitions and Board of Directors Memberships at the Institute of Directors in London. Serra Sabancı continues to hold office as the Member of the Board of Directors at the Sabancı Holding as well as various group companies, and as the Member of the Board of Trustees at the Sabancı Foundation. On 18 December 2009, she was appointed as a Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. She resigned as of 31 March 2019.
Gökhan EYİGÜN
Member
Mr. Eyigün graduated from the Istanbul Technical University, the Department of Management Engineering in 1998 with honours. He completed the MBA degree at the Rotterdam School of Management between 2002 and 2004 and underwent several executive trainings at the Harvard Business School. Throughout his career, that has spanned over 20 years, Gökhan EYİGÜN has worked as a manager in the projects and operations particularly in the fields of corporate finance, strategy and corporate business development, encompassing many different industries. He began his career at Arthur Andersen and worked as a consultant mainly in the field of Corporate Finance. He went on to take part in the establishment of the Corporate Financing and M&A Consultancy Department at PricewaterhouseCoopers and took office as the manager of this department. Since 2007, Gökhan Eyigün has worked as a manager at different levels in Sabancı Holding and is currently serving as the Sabancı Holding Secretary General. Mr. Eyigün was appointed as a Member of the Board of Directors of Çimsa on 31 March 2017.

Ali ÇALIŞKAN
Member (Effective as of 25 January 2020)
Ali Çalışkan graduated with a BSc degree from the Department of Mechanical Engineering at the Middle East Technical University in 1983. He started his professional career as a project engineer in 1984 and joined Kordsa in 1986 as technical office engineer. Following the establishment of Dusa (Sabancı-Dupont joint venture) in 1987, he was transferred to Dusa as a project engineer. From 1989, he assumed managerial roles in polymer production, yarn production, engineering maintenance and support, project and production departments of Dusa and Kordsa Turkey. He served as the Operations Director of Kordsa Turkey (2005-2009) and Operations Director of Kordsa Turkey & Nilekordsa (2009-2010). He held the position of Operations Director of Indo Kordsa and Indo Kordsa Polyester between 2010-2013. He served as the Vice President, Operations (2013-2015) and Chief Operating Officer - Europe, Middle East, Africa (2015-2017). Mr. Çalışkan has served as the CEO at Kordsa since April 2017. He was elected as a member of the Board of Directors at Çimsa as of 25 January 2020.

Fatma Dilek YARDIM
Independent Member
Fatma Dilek YARDIM was born in Istanbul in 1963. After graduating from the Sankt Georg Austrian High School, she graduated from the Department of Business Administration at Boğaziçi University. She completed the joint MBA program of the Manchester Business School & the University of Bangor. She began her career at Interbank in 1988. Between 1990 and 1999, she worked as the Manager at Bankers Trust A.Ş. She served as the Deputy General Manager at Deutsche Bank A.Ş. between 1999 and 2001, as the General Manager and the Member of the Board at Deutsche Bank A.Ş. between 2001 and 2007, as the General Manager and the Member of the Board at Credit Agricole Yatırım Bankası Türk A.Ş. between 2007 and 2012, as the General Manager and the Member of the Board at Standart Chartered Yatırım Bankası Türk A.Ş. between 2012 and 2016. Since 2017, she has been working as the Senior Consultant at Experian. During her career, she has undertaken roles in a number of NGOs such as YASED (International Investors Association), TUSIAD (Turkish Industrialists’ and Businessmen’s Association) and DEİK (Foreign Economic Relations Board). Fatma Dilek YARDIM is fluent in English and German. She was elected to the membership of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. in the Annual General Meeting held on 27 March 2018.

Mehmet Nazmi AKDUMAN
Independent Member
Mehmet Nazmi Akduman was born in İzmit in 1947. He graduated from the Istanbul Technical University as a Chemical Engineer (MSc) in 1969. In the same year he started his career at OTASAN A.Ş, before leaving his position to carry out his military service in 1970. After 1972, he served as a Planning Supervisor, Logistics Manager, Purchasing Director, Financial and Administrative Affairs Director and Deputy General Manager at Türk Pirelli Lastikleri A.Ş, and was appointed as CEO for Türk Pirelli Kablo ve Sistemleri A.Ş. in 1977 and as Chairman of the Board of Directors for the Pirelli Cable Romania. After the Pirelli Group’s sale of the cable segment in 2002, he served as the Managing Director and General Manager at ÇİMENTAŞ A.Ş., a part of Cementir - an Italian Group - until 2012. Mr. Akduman later served as the Board Member of ÇİMENTAŞ. During his career, he has undertaken roles at NGOs such as YASED (International Investors Association), TUSIAD (Turkish Industrialists’ and Businessmen’s Association) and DEİK (Foreign Economic Relations Board). Mehmet Nazmi Akduman is fluent in English and Italian. He was elected to the membership of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. at the Annual General Meeting held on 27 March 2018.
1.7 Auditor
Regarding the election of an auditor within the scope of the Article No. 399 of the Turkish Commercial Code, in accordance with the principles specified in the Turkish Commercial Code No. 6102 and Capital Market Law No. 6362, which were presented to the General Assembly with the recommendation of the Audit Committee, and the advice of the Board of Directors. Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) residing in Istanbul was approved to be appointed for the audit of the financial reports of our company for the 2019 operating period and to perform other activities under the relevant regulations of the Turkish Commercial Code No. 6102 and Capital Market Law No. 6362 at the 2018 Annual General Meeting held on 27 March 2019.

1.8 Senior Managers

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>From/Until</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ülkü ÖZCAN</td>
<td>General Manager</td>
<td></td>
</tr>
<tr>
<td>Vecih YILMAZ</td>
<td>Deputy General Manager (Finance and Financial Affairs)</td>
<td>(As of 1 April 2019)</td>
</tr>
<tr>
<td>Eren MANTAŞ</td>
<td>Deputy General Manager (Finance and Financial Affairs)</td>
<td>(Until 31 March 2019)</td>
</tr>
<tr>
<td>Ümit ÇETIN</td>
<td>Deputy General Manager (Supply Chain)</td>
<td>(Until 31 October 2019)</td>
</tr>
<tr>
<td>Bahadir KEPENEK</td>
<td>Deputy General Manager (Supply Chain)</td>
<td>(As of 13 October 2019)</td>
</tr>
<tr>
<td>Çaner TÜRKYENER</td>
<td>Deputy General Manager (Technical)</td>
<td></td>
</tr>
<tr>
<td>Hüseyin ÇAĞLAR</td>
<td>Deputy General Manager (Cement Sales and Marketing)</td>
<td></td>
</tr>
<tr>
<td>Tuğba ÇÖRTELEKOĞLU</td>
<td>Deputy General Manager (Corporate Development and Human Resources)</td>
<td>(As of 3 January 2019)</td>
</tr>
<tr>
<td>Fehmi Murat DERİCİOĞLU</td>
<td>Deputy General Manager (Digital Technologies)</td>
<td>(As of 2 May 2019)</td>
</tr>
<tr>
<td>Onur YAZGAN</td>
<td>Deputy General Manager (White Cement Sales and Marketing)</td>
<td>(As of 1 August 2019)</td>
</tr>
</tbody>
</table>

Ülkü ÖZCAN
General Manager
After graduating from the Department of Business Administration (in English) at Marmara University, Ülkü Özcan began her career at Lafarge Turkey in 1999. She served as the Strategic Planning Specialist between 1999 and 2003, as the Strategy and Business Development Manager between 2003 and 2005, and as the Marketing Project Manager between 2005 and 2007. She began working at Çimsa as the Strategy and Business Development Manager in January 2010. She was appointed to the post of Strategy and Marketing Director on 1 April 2013. Ms. Özcan was then appointed to the newly established position of the Deputy General Manager for Strategy, Marketing and Sustainability on 7 February 2014 and then held office as the Deputy General Manager in charge of White Cement and Special Products from 1 January 2015. Ms. Özcan has been the Deputy General Manager in charge of White Cement and Special Products Sales and Marketing as since 1 April 2015. She was appointed as the General Manager of Çimsa on 1 October 2018.
Vecih YILMAZ (As of 1 April 2019)
Deputy General Manager (Finance and Financial Affairs)
Vecih Yılmaz graduated from the Department of Business Administration at the Middle East Technical University in 2005, and completed the Political Science and Public Administration minor program between 2002-2004. Having completed his Masters degree in Financial Economics at Galatasaray University in 2012, Yılmaz began his career as an auditor at Deloitte in 2005. Between 2009 and 2013, he worked in the Sabancı Holding in the Reporting, Financial Planning & Analysis and Investor Relations departments. He then served as a Financial Controlling and Risk Manager at Enerjisa between 2013 and 2015 before taking up positions in Kibar Group in 2015-2016 as the CFO at Assan Panel and Financial Affairs Director at Kibar Holding. Appointed as Director of Finance at Sabancı Holding in 2017, Yılmaz was appointed as Vice President (Finance and Financial Affairs) at Çimsa with effect from 1 April 2019.

Eren MANTAŞ (Until 31 March 2019)
Deputy General Manager (Finance and Financial Affairs)
After his graduation from the Department of Business Administration at Boğaziçi University, Mr. Mantaş completed an MBA program at the University of California. He started working at Arthur Andersen & Co. as a Senior Advisor in 1997 before going on to work for Actus Lend Lease LLC as the Project Finance Manager. He worked as the Strategic Planning Manager at Teknoloji Holding and as the Strategy, Planning and Finance Director at Brightwell Holdings BV. Between 2012-2017, he served as the Financial Planning, Analysis and Investor Relations Director at Sabancı Holding. On 15 May 2017, Mr. Mantaş was appointed as the Deputy General Manager in charge of Finance and Financial Affairs at Çimsa. He left his position as of 31 March 2019. He has been working as the CFO of Sabancı Holding CFO since December 2019.

Bahadir KEPENEK (As of 14 October 2019)
Deputy General Manager (Supply Chain)
Bahadır Kepenek graduated from the Department of Metallurgical and Materials Engineering at Istanbul Technical University in 2001 before completing a masters degree from the Department of Materials Science and Engineering at the Istanbul Technical University. He went on to complete an MBA at Istanbul Bilgi University in 2010. He served as a Purchasing Engineer at Arçelik between 2005-2008, as a Lead Special Process Engineer at General Electric in 2008-2011 and as Procurement Manager in the Erdemir Group between 2011-2015. Having served as Procurement Manager at Çimsa in 2015-2019, Bahadır Kepenek served as Director of Procurement Group from February 2019 before being appointed as the Vice President (Supply Chain) at Çimsa with effect from 14 October 2019.

Ümit ÇETİN (Until 13 October 2019)
Deputy General Manager (Supply Chain)
A graduate of Bilkent University's Banking and Finance School, Mr. Çetin started his career at the French Embassy’s Economic Mission. In 2007, he went on to work as the Consultant at Ernst & Young’s Corporate Risk Services Department. He worked as the Internal Auditor at Hayat Holding between 2008 and 2009 and at Olmuksa Sabancı in 2009 and International Paper in 2012. He started working for Çimsa in 2012, where he worked as the Internal Audit Manager until 2015. He was appointed as the Deputy General Manager in charge of Purchasing and Logistics as of 01 April 2015. On 16 November 2018, he became the Deputy General Manager in charge of the Supply Chain. He resigned on 13 October 2019.

Caner TÜRKYENER
Deputy General Manager (Technical)
After graduating from the Department of Chemistry at the Middle East Technical University, Caner Türkyener began his career as a Chemical Engineer at the Çimsa Kayseri Plant in 2001. Mr. Türkyener was transferred to Çimsa’s Mersin Plant as an R&D engineer on 1 April 2002, where he also worked as a Production Engineer at the 2nd Plant Semi-Product, and a Semi-Product Production Supervisor at the 2nd Plant between 2002 and 2007. He worked as the Production Manager at Çimsa’s Eskişehir Plant between 2007 and 2012, and as Manager of the Çimsa Niğde Plant between 2012 and 2014. After working as the Manager of Çimsa’s Kayseri Plant for a short period, Mr. Türkyener was appointed as the Regional Director in charge of the Kayseri and Niğde provinces on 1 July 2014. He was appointed as the Regional Sales Manager for the Kayseri-Niğde provinces on 1 May 2015 and as the Deputy General Manager in charge of Ready-Mixed Concrete on 16 January 2017. Since 16 November 2018, he has been working as the Deputy General Manager in charge of Technical operations.
Hüseyin ÇAĞLAR
Deputy General Manager (Grey Cement Sales and Marketing)
Hüseyin Çağlar graduated from the Istanbul Atatürk Science High School in 1991 and the Department of Mechanical Engineering at Boğaziçi University in 1996. Starting his career at Procter & Gamble in Turkey, Mr. Çağlar assumed roles in the sales and marketing departments at different levels in Turkey’s different regions over a period of 16 years. Following, he worked at the P & G European Headquarters in Switzerland for three years. In 2012, Hüseyin Çağlar was appointed as the Turkey Sales Director of the Vodafone Turkey, then he worked as the Sales Director for the Enerjisa Retail Companies since 2016. He was appointed as the Vice President responsible for Domestic and International Sales and Marketing at Çimsa with effect from 1 November 2018. The Sales and Marketing Vice Presidency was divided into two in the organizational structure of the Company as “Grey Cement Marketing and Sales” and “White Cement Marketing and Sales” effective from 1 January 2020. Previously serving as the Vice President of Sales and Marketing, Hüseyin ÇAĞLAR was appointed as the Vice President of Grey Cement Marketing.

Tuğba ÇÖRTELEKOĞLU
Deputy General Manager (Corporate Development and Human Resources)
Tuğba Çörtelekoğlu graduated from the Department of English Language and Literature at Boğaziçi University in 1997 and completed a Master’s degree in Human Resources from the University of Leeds. Before joining Çimsa, Ms. Çörtelekoğlu worked at SAP Turkey, Doğan Yayın Holding, Arthur Andersen, Betek Paint and Toyota. Ms. Çörtelekoğlu worked as the Human Resources Director at Betek Paint between 2013 and 2018. She was appointed as the Deputy General Manager in charge of Human Resources at Çimsa on 2 January 2019.

Fehmi Murat DERİÇİOĞLU
Vice President (Digital Technologies)
Fehmi Murat Dericioğlu graduated from the Department of Business Administration at Istanbul University and then completed an MBA from Istanbul Bilgi University in 2002. Having served as a Project Manager at Eczacıbaşı Bilgi İletişim in 2002-2005, Mr. Dericioğlu was then appointed as a Project Manager and Senior Consultant and as a DynamicsAX Team Manager at Tectura İş Çözümleri (Business Solutions) and as a System Development Manager at Betek Boya between 2007-2011. In 2011, he was appointed as the Senior Vice President at Tradesoft and as a Project Manager at Arete Consulting same year. Having served as an Information Technologies Manager at Elginkan Holding in 2012-2013, Mr. Dericioğlu then took up the positions of Program Manager and then Project Management Office Manager at Acron Consulting in 2013-2017. He was later appointed as a Principal Project Manager position at SAP Turkey in 2017-2018 before being appointed as the Vice President responsible for Digital Technologies at Çimsa from 2 May 2019.

Onur YAZGAN
Vice President (White Cement Marketing and Sales)
Having graduated from the Department of Industrial Engineering at Galatasaray University in 2005, Onur Yazgan completed an MBA at Boğaziçi University in 2010. He started his career in 2006 as an Export Area Sales Manager at Unika Universal Kablo in 2006 before going onto work in Akçansa between 2010 to 2016 taking up posts in Marketing, Strategic Marketing and Process Development, Marketing and Sales Development and as the North Marmara Regional Sales Manager. He served as the Marketing and Value Added Products Director at Oyak Çimento in 2017-2018 before being appointed as the Vice President responsible for Cement Sales and Marketing in Akçansa. As of 1 August 2019, he was appointed as the Vice President of the Çimsa Integration Management Office. With the abolishment of Integration Management Office Vice Presidency position, Onur YAZGAN was appointed as White Cement Marketing and Sales Vice President with effect from 1 January 2020.

1.9 Restraint of Transaction and Competition with the Company
During the period, the members of the Board of Directors did not perform any actions that could be categorized as transactions with or competing against the company.
2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2.1. Declaration of Compliance with Corporate Governance Principles
Çimsa Çimento Sanayi ve Ticaret A.Ş. (Hereon referred to as the ‘Company’) regularly conducts work in order to comply with the “Corporate Governance Principles” issued by the Capital Markets Board. In this context, in accordance with the Corporate Governance Communique (II-17.1), which was published on 3 January 2014 and put into effect, the work of compliance with the compulsory principles were completed and the other non-compulsory provisions are complied with in majority. Compliance work continues for those parts, even where compliance could not be achieved with which due to the Company’s existing management structure and high costs.

In line with the Capital Markets Board decision No: 2/49 dated 10 January 2019, Çimsa’s Corporate Governance Compliance Report covering the period of 1 January 2019 - 31 December 2019 was prepared as a “Corporate Governance Compliance Report (“CRF”)” and “Corporate Management Information Form (“CMIF”)” and published on the Public Disclosure Platform (“KAP”). These notifications can be accessed from the https://www.kap.org.tr/tr/cgif/4028e4a240ee866c0140f1f64dbb0014 link in the “Corporate Governance” section.

2.2. Shareholders

2.2.1. Investor Relations Department
At our Company, assignments have been made in order to ensure the execution of the Shareholders’ General Meetings, the exercise of shareholding rights, share transactions and meeting shareholders’ information requests. Within the context of conducting relations with the shareholders by following up capital market regulations, our personnel serve the duties such as capital increases, keeping records related to the shareholders, public disclosures within the scope of the legislation and meeting information requests of the shareholders about the Company, including the website. The shareholders’ questions on capital increases, dividend distributions, attendance to the General Assembly meetings are responded in verbal, written and digital forms (e-mail) with the exception of information that are trade secret or confidential. The Website was renewed so investors could obtain more regular information about the Company’s activities and to access to all kinds of data related to the Company. All written and/or verbal information requests from investors were responded to on time. Tasks in the aforementioned department are fulfilled by the Financial Planning and Analysis Manager Özge ÖZCAN, who holds the SPL Level 3 Specialist License No. 214054 and Corporate Governance Rating License No. 702086, under the management of Vecih YILMAZ, who holds SPL Level 3 Specialist License No. 904103 and Corporate Governance Rating License No. 700593. Information may be obtained by e-mail from the address of v.yilmaz@cimsa.com.tr, o.ozcan@cimsa.com.tr, t.kertis@cimsa.com.tr, and by telephone from the following numbers: 0(216) 554 70 16, 0(216) 554 70 64 or 0(216) 554 70 73.

The company takes every measure necessary to guarantee the satisfaction of investors. In 2019, 45 domestic meetings and 1 international conference (roadshow) meeting were held. Furthermore, a total of 150 shareholders applied to the department for information on issues relevant to the shareholders, in particular on dividend pay outs and attendance to the General Assembly meetings, and all of these applications were responded to in verbal and written form.

2.2.2. Exercise of Shareholder Rights to Obtain Information
Shareholders, who register their names on the attendance sheet of the latest General Meeting, those who reach us by e-mail or telephone and those who come to the Company in person are informed of financial and administrative issues. In order to expand shareholder rights to obtain information and provide a healthy exercise of their rights, the required information and documents alongside financial statements are offered to shareholders on our official website (www.cimsa.com.tr) in both Turkish and English in the compulsory declaration durations and they are kept updated. In 2019, requests for information pertaining to issues such as capital increases in previous period, dividend distribution information, stock changes and the transition to the registration system and general assembly were responded to by e-mail, telephone, fax and meetings carried out in person. In addition, 10 annual reports were requested and posted to shareholders. Shareholders may obtain up-to-date information concerning the Company over the web site (www.cimsa.com.tr), material event disclosures submitted on the Public Disclosure Platform (www.kap.gov.tr) and newspaper announcements. There is no provision for the appointment of a special auditor in the Company’s Articles of Association. No requests were received from the shareholders on this issue in 2019.
2.2.3 General Assembly Meetings

The Company issues the invitations of General Assembly Meetings in line with the Turkish Commercial Code, the Capital Markets Board legislation and Articles of Association. On 27 March 2019, the Annual General Meeting was held with a quorum of 75.76%. The results of the meeting were registered on 22 April 2019 and published on the Turkish Commercial Registry Gazette on 29 April 2019. The results of the Annual General Meeting were offered to shareholders on the Public Disclosure Platform (KAP), on our Company website (www.cimsa.com.tr) and on our Company’s page on the information portal of the Central Registry Agency (MKK).

Interested stakeholders attended the Annual General Meeting either in person or electronically upon completing the required formalities. The invitation for the Annual General Meeting was made in line with the Turkish Commercial Code and the Articles of Association and this was approved by the Representative of the Ministry. The announcement and the agenda of the Annual General Meeting were declared to shareholders on the Public Disclosure Platform (KAP), on our Company’s page on the information portal of the Central Registry Agency (MKK), in the Turkish Commercial Registry Gazette prior to the meeting. During the meeting, shareholders were given right to ask questions and provided with required information. The shareholders were also informed of donations amounting to a total of TL 270,929.89 made in the period (year 2018). The limit of donations to be made for the year 2019 was added in the meeting agenda as a separate article. The annual report was prepared and handed out to the shareholders attending the Annual General Meeting and the shareholders were provided with information on the activities of the previous year.

Decisions which are qualified to be material with respect to the Turkish Commercial Code are submitted to shareholders in the Annual General Meeting for their approval. When the legal compliance of the Corporate Governance Principles is provided, all the material decisions that will be in the changing laws will be submitted to shareholders in the General Assembly for their approval.

In Article 1527 of the Turkish Commercial Code (TTK) numbered 6102 and dated 13 January 2011, it was concluded that participating, making suggestions, commenting and voting in the joint stock company general assemblies via electronic media bears all legal consequences of physical participation and voting. Additionally, the system of participation and voting in the general assemblies via electronic media has become compulsory for the companies listed on the stock exchange.

“Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media” (EGKS) issued by the Ministry of Customs and Trade in order to determine the code of practice of Article 1527 of the Turkish Commercial Code was published in the Official Gazette dated 28 August 2012 and numbered 28395. “Communique on Electronic General Assembly System to be Implemented in the General Assemblies of Joint Stock Companies” which regulates the procedures and principles regarding the establishment, operation, technical aspects and safety criteria of the electronic general assembly system was published in the Official Gazette dated 29 August 2012 and numbered 28396. Effective date of the said regulations was determined as 01 October 2012. Pursuant to the third sub-clause of the 5th article of the Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media, participating, representative assigning, tabling suggestions, commenting and voting in the general assemblies, which are to be held by the companies listed on the stock Exchange, via electronic media is required to be carried out through the Electronic General Assembly System (EGKS) provided by the Central Registry Agency (MKK).

Articles 415 and 417 of the Turkish Commercial Code prescribe material changes to participation in the general assembly meetings of joint stock companies, whose shares of are monitored and registered by the Central Registry Agency (MKK). Pursuant to the 13th article of the Capital Markets Law, the list of shareholders, whose shares are monitored and registered, and who can attend the general assembly, will be prepared in line with the “Table of Shareholders” which will be provided electronically by the CRA (MKK) via the EGKS in accordance with the first sub-clause of the article 417 of the Turkish Commercial Code. Real persons on this list who attend the meetings in person should provide an identity card and those who represent legal entities should provide a document of representation, in what is the only condition of attendance.

The 4th sub-clause of article 415 of the Turkish Commercial Code resolves that the right to participate and vote in the general assembly cannot be dependent on the condition of receiving a document proving shareholding or depositing the share certificates in “advance”. The new TTK has terminated the blockage system that was previously implemented in capital markets.
The system of granting proxy via notary, which was implemented in the previous TTK period, is preserved alternatively. Nevertheless, a legal novelty has been brought with the EGKS Regulation, which will make serious contributions to the general assembly practice, such as assigning the proxy electronically over the EGKS. Electronically assigned proxy can participate in the general assembly meeting electronically, or physically as a proxy. The list that includes the shareholders, which can be obtained by the Company from the MKK over the EGKS, shall also contain the information about proxy (such as proxy’s name), which is granted via the EGKS. A proxy electronically assigned via the EGKS is not required to present a physical proxy document.

General Meeting procedure:

The General Meetings are chaired by the Chairman of the Board of Directors. If the Chairman is not present at the meeting, this duty is carried out by the Deputy Chairman of the Board of Directors. In the absence of these persons, the person to chair shall be elected by the General Assembly by a majority decision. The Chairman shall determine the minutes of meeting clerk and the vote collector if he deems necessary, and thus, he/she establishes the team of meeting chairmanship. The Chairman of the General Meeting is obliged to ensure the compliance of the meeting with the Law.

At least three weeks before the General Assembly, financial statements and annual reports are made available at the Company’s headquarters. It is ensured that General Assembly meeting announcements are made at least 3 weeks in advance.

After the notification of the financial statements to the Public Disclosure Platform (KAP) and after the publication of the Annual Report, all information and reports to be discussed in the agenda of the General Assembly are sent to the addresses of those requesting by mail, fax or e-mail, with the fastest delivery possibility.

The most natural rights of the shareholders at the General Assemblies are to ask questions and to express their opinions about the subject by asking to talk. Therefore, the rights of the shareholders of the Company to ask questions at the General Assembly, to submit suggestions on the agenda items and to make speeches on their suggestions are provided by the Board duly. All information on financial statements and independent audit reports, profit distribution proposal and information and documentation regarding the General Assembly Agenda, the distribution of capital between shareholders and including the Corporate Governance Compliance Report, are available on the Company’s website.

As per years, General Assembly Minutes of Meeting and the list of attendants can be accessed from the website and the Company Headquarters. These records are also available in the archives of the Turkey Trade Registry Gazette at the Istanbul Trade Registry Office.

2.2.4 Voting Rights and Minority Rights

There is one voting right for each share at the General Assemblies and there is no privilege in voting right. Voting rights are exercised in accordance with the regulations on representation and voting procedure at the General Assembly (Articles 19 and 20 of the Articles of Association). The regulations of the Capital Markets Board regarding voting by proxy are observed. The Articles of Association do not contain any provisions for cumulative voting. With the thought that granting cumulative voting rights in existing shareholding percentages and shareholding structure would impair the harmonious management structure of the Company, such an arrangement has not been made.

2.2.5 Dividend Rights

Dividend distribution of the Company is regulated in Article 26 of the Articles of Association. Accordingly, after the compulsory taxes are deducted from the gross profit, the dividends are distributed from the remaining net profit at the ratio to be proposed by the Board of Directors and to be approved by the General Assembly, within the framework set in the Articles of Association and by also considering the legal reserves and the CMB legislation. The dividend distribution of our Company is realized within legal durations. Our company has adopted the dividend distribution policy as “to distribute at least 50% of the distributable profit to the shareholders”. This policy may be annually reviewed by the Board of Directors depending on the national and global economic conditions, the projects that are on the agenda, and the status of the funds. There is no privilege in dividend distribution.

2.2.6 Assignment of Shares

There are no provisions in the Articles of Association that restrict the assignment of shares.
2.3 Public Disclosure and Transparency

2.3.1 The Website of the Company and its Content

It is under the authority and responsibility of the Board of Directors to monitor, supervise, and develop the public disclosure and information policy of Çimsa Çimento Sanayi ve Ticaret A.Ş. The Disclosure Policy was created and approved by the Board of Directors within the framework of the CMB Corporate Governance Principles on 30 April 2009, and it was revised on 27 February 2017. It was declared to the public with a Material Event Disclosure and has been published on www.cimsa.com.tr since then. As required by this policy, the independently audited 6th and 12th month financial statements and the unaudited 3rd and 9th month financial statements are disclosed to the public.

The consolidated reports, which were prepared in accordance with the International Financial Reporting Standards (IFRS-IAS) and the Turkish Accounting Standards/Turkish Financial Reporting Standards (‘TAS/TFRS’) issued by the Public Oversight Accounting and Auditing Standards Authority (‘POA’), were disclosed to the public within the periods specified by the CMB.

Disclosure of information regarding the Company is carried out throughout the year through press releases, e-mail messages, telephone communication, and interviews with media organizations and news agencies.

Furthermore, it is possible to access such information over the website within the scope of the Disclosure Policy, as advised by the CMB Corporate Governance Principles.

The company has a website (www.cimsa.com.tr). The content of our website is being developed in line with the Turkish Commercial Code, the Regulations on the Websites of Companies to be opened, the CMB’s Corporate Governance Principles, and the requests of users. The persons and institutions wishing to obtain information about our Company may access such information on our website. The reports and documents pertaining to the last 5 years, which we have also published on the Public Disclosure Platform pursuant to the Communiqué on Material Events of the CMB (II-15.1), can be found on the website in Turkish and English as follows, under the heading “Investor Relations”.

- Corporate Governance
- Consolidated Financial Statements
- Annual Reports
- Material Event Disclosures
- Information Society Services

Under these headings:
- Company Information
- Shareholding Structure
- Senior Management
- Board of Directors
- Board of Directors Committees
- General Assembly Information
- Trade Registry Information
- Articles of Association
- Corporate Governance Compliance Report
- Disclosure Policy
- Dividend Distribution Policy
- Remuneration Policy
- Donation and Aid Policy
- Frequently Asked Questions
- Financial Statements
- Annual Reports
- The sections of the declarations of Material Event Disclosures.

Our website also contains information such as Corporate Profile, Products and Services, Sustainability, Human Resources, and Contact.
2.3.2 Annual Report

In the Annual Report, compulsory information is included under the heading of Corporate Governance Principles Compliance Report, and our efforts continue to include non-compulsory information as well.

2.4 Stakeholders

2.4.1 Informing the Stakeholders

Information is provided to all stakeholders in the form of periodical public disclosures and material event disclosures over the Public Disclosure Platform (KAP), as required by the relevant legislation. Issues such as Annual General Meetings and Extraordinary General Meetings and dividend distribution are declared in the Turkish Trade Registry Gazette and on the Company's website as required by relevant legislation and the Articles of Association of the Company. Moreover, information is provided also through press conferences, press releases, and the interviews made with media organizations.

Furthermore, the Company employees are informed through the quarterly Company newsletter, information sent by e-mails and the in-house trainings provided, over the Çimsa Portal and through annual information meetings. Information is also provided through training and seminars organized, in addition to the annual meetings and promotions held for customers.

The shareholders are informed simultaneously in an accurate and comprehensible manner, with the exception of information which is deemed to be confidential or contain trade secrets.

The Company has established the necessary mechanisms in order to allow stakeholders to report any incidents which contravene legislation and ethically inappropriate transactions of the Company to the Corporate Governance Committee or the Audit Committee.

2.4.2 Participation of Stakeholders in the Management

Meetings are held with employees at least once a year where activities of the previous year are evaluated and the targets for the following year are shared and feedback is received.

Within the scope of business excellence, learning organization activities and the suggestion system, team work is encouraged and participation of project teams is ensured in matters concerning the Company such as target-setting, process improvement and investments.

The participation of shareholders in the Company management is ensured through the Annual General Meeting and Extraordinary General Meetings.

Participation of customers in the Company management is ensured through dealer meetings and the customer loyalty surveys conducted.

2.4.3 Human Resources Policy

The Corporate Development and Human Resources vision of the Company is to create a culture of high performance, and its mission is to ensure the organizational change and development. In this context, an effective and regular structural performance management is executed with individual work and competence targets, which are determined in line with the company strategy and company goals. Policies aimed at organizational change and development are planned and implemented in the scope of increasing the Company's competitive clout and ability to meet changing needs.

The issues concerning the employees registered with a union (in-scope) at the Company are managed within the scope of the Group Collective Labour Agreement in effect. Moreover, there are departments such as Employee Representation, Corporate Development and Human Resources, Corporate Communications, Code of Ethics Consultancy and Occupational Health and Safety within the organizational structure in order to conduct the relations with all employees, as well as detailed, written and up-to-date regulations and procedures that cover the arrangements and practices regarding work life.

To date, there have been no complaints from Çimsa employees regarding discrimination in the Company.
2.4.4 Code of Ethics and Social Responsibility

2.4.4.1 Code of Ethics
The Code of business ethics was established and implemented at our Company. The Code of business ethics has been published on the corporate website and announced to the public. Informing the employees on these rules is ensured by publishing them on the Company internal communications portal, handing out booklets to all employees and conducting information sessions. Moreover, the employees update their knowledge on the code of business ethics through an e-learning program at the end of each year and renew their commitment to the code of business ethics with the “Code of Business Ethics Compliance Statement”, which they fill in.

The locations where Çimsa’s plants are situated have importance beyond being the physical locations of the plants. In these regions, Çimsa’s stakeholders and employees continue their lives, and new generations, who will be working with the Company in the future, grow.

Being an active and respected member of the society is crucial for Çimsa. Çimsa is a leading employer in the regions where its plants are located. the regions, where the company operates, are directly and indirectly impacted by the operations. Çimsa is focused on correctly understanding the expectations of the society and meeting the needs and expectations of its stakeholders everywhere it operates.

Çimsa’s Corporate Social Responsibility Approach

The Çimsa Yaz Çocukları Project
In today’s ever-globalizing world, apart from producing economic value, companies contribute actively to society through social responsibility projects targeting the development of society and individuals.

Çimsa continued its corporate social responsibility activities in 2019 as a brand that is aware of the importance and value of corporate social responsibility projects and providing benefit to society through these projects. Planning and implementing its corporate social responsibility activities with a long term perspective and with the aim of creating lasting value, Çimsa carries out projects which focus on the environment and people, and which aim at increasing individual and social welfare levels.

Education and children are at the core of the CSR activities that are carried out in a systematic and planned manner at Çimsa. Placing emphasis on providing a contribution to children in the field of education, which is one of the most vital areas in our country, Çimsa also carries out social responsibility projects in the fields of health, the environment, arts and culture and sport.

This project was initiated by Çimsa in Niğde in 2011 with the participation of 32 children, and was aimed at contributing to their development. The total number of children who participated in the Çimsa Yaz Çocukları Project had reached nearly 1,000 as of the end of 2019. In line with the project, one psychologist, three drama teachers and three physical education teachers provide two-week-long courses to children aged between 7 and 12.

In the first years, the project was realized with the participation of the children of the employees of the Niğde Plant of Çimsa. The project expanded to include children from nearby villages in the following years. The project, which has been ongoing for 9 years, was also realized in Mersin in 2016 and 2017. The project moved to Kayseri for the first time in 2018.

Mersin Disability Week
Due to the Disability Week, in 2019, Çimsa gave battery run wheelchairs to disabled individuals as a gift in collaboration with the Mersin Metropolitan Municipality. A total of 191 battery run wheelchairs were presented as gifts in the project continuing for 5 years.

The Spinal Cord Paralytics Association of Turkey (TOFD)
A contribution was made to the Plastic Lid campaign that has been run by The Spinal Cord Paralytics Association of Turkey (TOFD) since 2011 through the collection of plastic bottle lids. With the support given to the campaign and through the income generated from the recycling of the lids, a contribution was provided to the purchase of battery run and manual wheelchairs for the disabled.
Sponsorships
Çimsa supported the 12th Corporate Governance Summit held in 2019 by the Corporate Governance Association of Turkey (TKYD). The board members and senior executives of leading companies of Turkey met at the “12th Corporate Governance Summit”. During this important Summit, in which both Turkish and foreign expert speakers participated, and which was closely followed by the financial press, the latest developments in corporate governance were shared with the participants with the support of Çimsa.

Events
The Company attended the sector’s most prestigious International Building and Construction Fair - the World of Concrete (WOC) - in 2019.

Held on 29-31 January in Texas, Çimsa attended the Underground Construction Technology (UCT) fair with Recipro and Rego, members of the Çimsa Aluminates family.

On 15 March 2019, Çimsa organized a Vision Meeting for the first time in its history. The meeting, which took place with the participation of approximately 350 employees from all locations, continued with a packed agenda during the day and attracted considerable attention from the participants.

Iftar (fast-breaking) meals were organized in cooperation with the municipalities of the cities where Çimsa’s plants are located. A total of 10,000 people joined the iftar meals.

On 24-26 June, Çimsa attended the Cement Industry Conference INTERCEM 100, which is one of the industry’s leading conferences, promoting its grey cement, white cements and special products at its stand.

The Construction Chemicals Seminar, which has become something of a tradition in the industry, was organized for the fifth time in 2019. Çimsa’s CEO, Ülkü Özcan, made the opening speech of the seminar, which brings together Çimsa’s business partners with some of the world’s leading academics.

Çimsa attended the 41st İstanbul Marathon together with Sabancı Group employees, to promote the cause of Social Gender Equality.

Çimsa met its business partners in Athens, where the year 2019 was evaluated and the targets for 2020 were discussed. The business partners were also treated to a sightseeing tour during the course of the meeting. In 2019, “Cement Day” meeting was organized for the first time under the roof of the Sabancı Holding Cement Group in order to share its vision and mission in cement industry with its business partners. The meeting was held with the participation of 400 business partners.
Awards

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<thead>
<tr>
<th>Name of the awarded project</th>
<th>Name of the award</th>
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<tbody>
<tr>
<td>DURO</td>
<td>Arkitera Building Material Award</td>
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<td></td>
<td>Turkish-Spanish Industry and Trade Chamber Award Ceremony / Turkish Firm Category / the Successful Turkish and Spanish Companies of 2019 Award</td>
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<tr>
<td>SALUTEM Project</td>
<td>2019 Success Stories Ceremony of TÜSİAD SD2 Program /“Proliferation Potential” Award</td>
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<td></td>
<td>Capital and Ekonomist Magazines / 50 Powerful Women CEOs Award</td>
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<td></td>
<td>Kariyer.net / 18th Respect for Human Award</td>
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<tr>
<td>The Company Exports Most From Mersin Province in 2018</td>
<td>First Place Award</td>
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<tr>
<td>2018 Export Champions / Cement Industry</td>
<td>First Place Award</td>
</tr>
<tr>
<td>Digitalization of Procurement Processes and Robotic Decision Making Processes</td>
<td>Digital Transformation Category / First Place Award</td>
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2.5 Board of Directors

2.5.1 The Structure and Formation of the Board of Directors

The Board of Directors:

<table>
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<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamer SAKA</td>
<td>Chairman</td>
</tr>
<tr>
<td>Hakan TIMUR</td>
<td>Deputy Chairman (As of 25 January 2020)¹</td>
</tr>
<tr>
<td>Barış ORAN</td>
<td>Deputy Chairman (Until 24 January 2020)</td>
</tr>
<tr>
<td>Serra SABANCI</td>
<td>Deputy Chairman (Until 31 March 2019)</td>
</tr>
<tr>
<td>Gökhan EYİGÜN</td>
<td>Member</td>
</tr>
<tr>
<td>Ali ÇALIŞKAN</td>
<td>Member (As of 25 January 2020)²</td>
</tr>
<tr>
<td>Fatma Dilek YARDIM</td>
<td>Independent Member</td>
</tr>
<tr>
<td>Mehmet Nazmi AKDUMAN</td>
<td>Independent Member</td>
</tr>
</tbody>
</table>

¹ The Deputy Chairman of the Board of Directors Ms. Serra SABANCI resigned with effect from 31 March 2019, and as of 1 April 2019 Mr. Hakan TIMUR was elected in lieu as a board member, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held. He was appointed as the Deputy Chairman of the Board of Directors as of 25 January 2020.

² The Deputy Chairman of the Board of Directors Mr. Barış ORAN resigned with effect from 24 January 2020, and as of 25 January 2020 Mr. Ali ÇALIŞKAN was elected in lieu as a board member, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held. He was appointed as the Deputy Chairman of the Board of Directors as of 25 January 2020.

At the Annual General Meeting held on 27 March 2018, the election for membership to the Board of Directors was held as the term of office of the members expired. Their term of office was determined as three years, until the Annual General Meeting to be held in 2021, in which the activity results of the year 2020 will be discussed.

As also stated in the Company Articles of Association, the Board of Directors consists of six members elected in accordance with the Turkish Code of Commerce and the Capital Market Law. There are two independent members among those who were elected at the General Assembly.

The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of the Capital Market Law and the Turkish Code of Commerce.
2.5.2 Operating Principles of the Board of Directors
The Çimsa Board of Directors consists of 6 members who are elected by the General Assembly, as stated in the Articles of Association. There are two independent members among those elected at the General Assembly. The members of the Çimsa Board of Directors are elected for a maximum period of three years as stated in the Articles of Association of the Company, and the members whose term has expired may be re-elected. The members of the Board of Directors elect a Deputy Chairman to act as the Chairman's deputy in their absence, as stated in the Articles of Association. The Board of Directors convenes at least once every three months (as required by the Articles of Association) to discuss the results of the monthly operations.

The agenda of the Board of Directors meetings is determined and proposed by the General Manager of the Company. The Deputy General Manager for Finance and Financial Affairs undertakes the task of general secretariat and informs the members of the Board of Directors and provides their communication.

The Board of Directors convened 25 times in 2018 and took 64 decisions.

The quorum as stipulated by the Turkish Commercial Code is applied for the decisions and meetings of the Board of Directors.

In the meetings held in 2019, there was no opposing opinions against the decisions taken by the members of the Board of Directors. No records were made since the members of the Board of Directors did not have any questions or different opinions. The members of the Board of Directors are not entitled to weighted votes and/or the right to veto with regard to the said decisions. Moreover, there was no Board of Directors decision, which was submitted for the approval of independent members of the Board of Directors but not approved by the independent members, and submitted for the approval of the General Assembly, regarding relevant party transactions and transactions of material nature.

2.5.3 The Number, Structure and Autonomy of the Committees Formed in the Board of Directors
An Audit Committee, a Corporate Governance Committee, and a Committee for Early Detection of Risk, which are affiliated to the Board of Directors, were formed from among non-executive independent members of the Board of Directors. The committee meetings of the Audit Committee, the Corporate Governance Committee are held at least four times a year at a venue and date to be deemed suitable by the Committee Chairman. The committee meetings of the Committee for Early Detection of Risk are held at least six times a year at a venue and date to be deemed suitable by the Committee Chairman. In the execution of their activities, each Committee follows its own Charter on Meeting and Operation Principles.

The committee members are elected from among independent members in order to benefit from their global experience and knowledge. Due to the limited number of independent members in the Board of Directors, the independent members of the Board of Directors had to be assigned to multiple committees. Since a separate Candidate Nomination Committee and Remuneration Committee cannot be formed due to the structure of the Board of Directors, the Corporate Governance Committee also fulfils the duties of these committees.

In 2019, there were no conflicts of interest associated with the existing member structures of the committees.

2.5.4 Risk Management and Internal Control Mechanism
The main function of the Internal Audit Department is to provide independent, objective assurance and consultancy services to Çimsa Çimento San. ve Tic. A.Ş. by utilizing the International Internal Auditing Standards. Serving under the Audit Committee, which consists of the members of the Board of Directors, the Internal Audit Department conducts audits, investigations, and examinations in order to protect the rights and interests of the Company, and to develop recommendations against risks inside and outside the Company. To that end, it performs the below-mentioned tasks in order to contribute to the Company's growth, development, and institutionalization:

a) Auditing the compliance of the internal control systems of all units within central and field organizations and the international terminals, warehouses, and establishments of the Company with the corporate governance principles and the code of ethics. Auditing the adequacy and effectiveness of risk management practices. Preparing audit plans and programs and implementing these according to a pre-prepared Schedule.
b) Monitoring the practices related to the audit reports and ensuring that the operations and procedures are conducted within the framework of the agreement achieved and the instructions of the Headquarters.
c) Conducting examinations, research studies and investigations related to the special tasks assigned by the Chairmanship of the Board of Directors, the Ethics Committee, the Audit Committee and the General Manager. Presenting the results to the relevant authority as a report.
d) Supervising the implementation of Company regulations, procedures, circulars, and department-specific instructions, ensuring that they remain in effect and tabling suggestions on issues that need to be corrected.
e) Ensuring that the operations and transactions of all departments are carried out in compliance with directives such as the decisions of the Board of Directors, plan and budget targets, legislation, regulations, procedures, circulars and instructions.
f) Carrying out financial and economic analysis of the operations and transactions performed and developing suggestions to increase savings and efficiency.
g) Informing the Audit Committee continually of the audit activities and the adequacy of the internal control system. Implementing their requests and suggestions related on the topic.
h) Providing consultancy and support services for the senior management and the Board of Directors by conducting advisory studies for the objectives that will create added value such as assisting the Company in achieving its goals, increasing the stock value, improving corporate processes and operations, enhancing the service quality and customer satisfaction, etc.
i) Conducting Investigations and Examinations in response to inquiries received from the Ethics Committee and / or directly and preparing the relevant Investigation Report if deemed necessary, and sharing the findings with the General Manager and the Audit Committee.

It was resolved by the Board of Directors that the Internal Audit Manager should report to the Audit Committee. Additionally, in line with the Corporate Governance Communiqué of the Capital Market Board (II-17.1), the Committee for Early Detection of Risk was formed for the early detection of all kinds of strategic, operational, financial and other risks that may endanger the Company’s existence, development, and continuity, for the implementation of the necessary measures and remedies for such risks, and for managing risks.

2.5.5 Strategic Goals of the Company

The Primary strategic objectives are as follows: Achieving operational excellence: Setting targets in all functions of the value chain, starting from raw material procurement to production, sales and distribution and in the management processes, following up these goals through key performance indicators; effecting continuous improvements in the performance process; establishing a corporate knowledge/data base; taking necessary precautions by closely following up the cash flow on the basis of scenarios; and achieving operational excellence by managing all these activities with a “systems approach” discipline.

Becoming a sustainable company: Creating long-term value for both our stakeholders and for our company, starting with the stakeholders, who are impacted most socially and environmentally from our activities, by effectively managing the communication with all our stakeholders in order to make such impacts more positive. Integrating the understanding of sustainable development into everyday life of the entire Çimsa family, consisting of the customers, the suppliers and local neighbours, especially our employees.

Becoming customer-oriented and market-oriented: Listening to and understanding the needs and demands of customers by making the market and customers the focal point of the activities, thus creating added value for all customers and becoming a business partner preferred by the customers.

Growing profitably: Growing sustainably by undertaking new investments in new and appealing markets that will create synergy with Çimsa’s existing operations in a way that will add value to the other primary goals of the company.

2.5.6 Financial Rights

According to the Articles of Association, all kinds of rights, benefits, and remuneration granted to the members of the Board of Directors are determined by the General Assembly. A total (gross) payment of TL 192,000 was made to the members of the Board of Directors in 2019. In 2019, the Company did not lend money to any of the members of the Board of Directors and managers; did not disburse any loans; did not disburse loan to them through a third party under the name of “personal loan” and did not provide any guarantees for them such as bail in favour.
The total sum of remuneration and similar benefits provided for the senior management such as the general manager, deputy general managers in the current period amounted to TL 10,948,084. (31 December 2018 - TL 14,002,242)

3. COMPANY RESEARCH AND DEVELOPMENT STUDIES
R&D and innovation has become an indispensable part of the corporate culture in Çimsa, which is one of the most prominent companies in the world in terms of highly profitable special products, in addition to grey cement. The vision of Formula House, the first R&D Center in the Turkish cement industry to be certified by the Ministry of Industry and Technology, is to become one of the world’s leading R&D Centers in the building materials field.

In addition to its specialized and well-qualified R&D personnel, technical personnel working in other functions provide support on a project basis with new products, applications, process development and efficiency enhancing studies which cover all processes from the raw material to the end product.

The Çimsa Research and Application Center continues to serve to the industry in the fields of cement and concrete, in building chemicals, concrete, grinding, chemicals and mechanics laboratories with advanced analysis methodologies. Article and patent sharing presentations conducted by R&D specialists continue regularly every month with open participation at all Çimsa locations. The aim is to share the latest information with all employees through presentations of sharing trends, new products and technological developments taking place in the industry.

R&D achievements and successes in 2019
In 2019, the Company started to work with experts in the areas of Alternative Fuel and Raw Materials, Cement Mills and Grinding Chemicals, and Refractors by taking a step towards specialization among R&D employees.

Conducting their projects based on their fields of expertise, R&D employees have been in active cooperation with all Çimsa facilities. Many studies have been carried out to increase the use of alternative fuels and raw materials, one of the primary items on the agenda in the cement industry, and to optimize the effects on the product and process. Increases in capacity and reductions in specific energy use were achieved thanks to the audits conducted in cement mills and optimizations in the selection of grinding chemicals. Furthermore, there were significant achievements in cement processes and refractor usage processes in all facilities through studies carried out in the refractor selection processes and analytical studies of refractors that had completed their service lives.

R&D and Innovation projects carried out in 2019
Six new projects launched in 2018, which had been approved by the Ministry of Industry and Technology, were successfully concluded in the December 2018 period. Five new projects were launched in January 2019. Brief information regarding these projects is summarized below.

3D Mortar
This project includes the development of mortar which will contribute to energy storage in buildings by using White Portland Cement (WPC) and Calcium Aluminate Cement (CAC) for 3D printers used in new generation building applications. Özyeğin University and Çukurova University are partners in this project.

Rainbow
This project aims to increase the product variety of paintable exterior coating paint containing white cement based polymer, pigment and filling material and to create a product segment where paint and cement are used.

Anti Noise
With the application of noise regulations in Turkey, this project is aimed at the design of a sound insulation barrier using white cement and to inform users of white concrete sound barriers.

Re-AL
The aim of Re-AL is to decrease production costs by determining alternative domestic resources which can substitute the imported raw material of Calcium Aluminate cement, of which we are the sole producer in Turkey.
RGB
In order to reduce the use of pet-coke in white clinker production, the RGB project aims to reduce fuel costs by using coal containing high ash with low calorific value, without changing the clinker properties.

To improve the Thermal Storage Performance and Cost Efficiency of Geothermal Systems, 1.5 tons of the mortar, which was designed to be used in the pilot application of the project in Spain, were produced and sent, and positive results were observed in the implementation.

Digitalization, which is a key priority for Çimsa, is an area being addressed by the R&D center. Work on the HyperCog project - part of the EU’s Horizon 2020 scheme - started in September 2019. The project was accepted under the title of developing performance enhancing digitalization technologies in production technologies and will continue for 42 months. The project is planned to optimize the usage of natural resources and to reduce environmental impacts, in addition to digitalizing the white cement production line and improving efficiency and product quality. Simultaneously, the work to be conducted will mark a major step forward in terms of industry 4.0 with the conversion to a smart factory.

The Company attended a number of national and international conferences in 2019. In the events, information was provided to industry stakeholders concerning the work conducted in Formula House with poster presentations.

- 7th International Drymix Mortar Conference - The Influence of Different Types of Cellulose Ethers and Cements on Cement Based Tile Adhesives
- PCE 2019 - The Effects of Different Solid Amounts in Pure Polycarboxylate Superplasticizers
- 15th International Congress on the Chemistry of Cement (ICCC) - Characterization of the Effect of Fuel Types on Phases of Calcium Aluminate Cements and Investigation of Properties of Calcium Aluminate Cement
- Colloquium on Refractories - Characterization of Chemical and Morphology Properties of Different Types of CAC 50 and Investigation Their Refractive Properties
- 1st Concrete Roads Congress - CAC Based Concrete Road Practices

Examples of collaboration between Industry and Academia
Within the context of industrial symbiosis studies carried out with Mersin University Environmental Engineering Department, joint studies have been undertaken for the Project on Reducing Production Costs, Resources Consumption and Waste for the Environment, supported by the Çukurova Development Agency.

Innovations and practices in the cement industry have been presented in the Cement Technologies and Practices course given by R&D Center employees at Sabancı University since 2016.

The Company works together with Sabancı University, Özyeğin University and Çukurova University as project partners.

Furthermore, a project suggestion application was made within the scope of the 2244 Industry - PhD program offered by TÜBİTAK.

Intellectual Property Rights
In 2019, the Company tabled a beneficial model application for the product, which was conducted as an R&D project and successfully completed in 2018.

The Melter Providing the Removal of Pollutant Materials in the Process from the System with the Dross and the Purifying Material by Increasing Process Efficiency

Patent and beneficial model applications were made for the projects completed in 2019.
4. COMPANY ACTIVITIES AND KEY DEVELOPMENTS REGARDING OPERATIONS

4.1 Information on the Subsidiaries, Associates and Long-Term Securities of the Company:

<table>
<thead>
<tr>
<th>Company</th>
<th>Location of Operations</th>
<th>Share Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cimsa Cementos Espana, S.A.U.</td>
<td>Spain</td>
<td>100.00</td>
</tr>
<tr>
<td>OOO Çimsa Rus CTK</td>
<td>Russia</td>
<td>100.00</td>
</tr>
<tr>
<td>Cimsa Cement Free - Zone Limited</td>
<td>TRNC</td>
<td>99.99</td>
</tr>
<tr>
<td>Cimsarom Marketing Distributie S.R.L.</td>
<td>Romania</td>
<td>100.00</td>
</tr>
<tr>
<td>Cimsa Adriatico Srl</td>
<td>Italy</td>
<td>70.00</td>
</tr>
<tr>
<td>Cement Sales North Gmbh (CSN)</td>
<td>Germany</td>
<td>100.00</td>
</tr>
<tr>
<td>Cimsa Americas Cement Manufacturing and Sales Corporation</td>
<td>USDA</td>
<td>100.00</td>
</tr>
<tr>
<td>Afyon Çimento Sanayi Türk Anonim Şirketi</td>
<td>Turkey</td>
<td>51.00</td>
</tr>
<tr>
<td>Exsa Export San.Man.Sat.ve Arş.AŞ</td>
<td>Turkey</td>
<td>32.88</td>
</tr>
<tr>
<td>Mesbaş Mersin Serbest Bölg.İşl.A.Ş. (Mesbaş)</td>
<td>Turkey</td>
<td>0.41</td>
</tr>
<tr>
<td>Anfaş Antalya Fuarcılık A.Ş. (Anfaş)</td>
<td>Turkey</td>
<td>0.02</td>
</tr>
</tbody>
</table>

4.2 Information on the Company’s Own Shares Acquired

Our Company did not acquire any of its own shares between 1 January 2019 and 31 December 2019.

4.3 Information on Annual/ Extraordinary General Meetings Held within the Period

The Ordinary General Assembly Meeting for 2018 was held on 27 March 2019. The meeting results were registered on 22 April 2019 and published in the Turkish Trade Registry Gazette on 29 April 2019. The results of the Annual General Meeting were published for the purpose of informing shareholders on the Public Disclosure Platform (PDP), on our company website (www.cimsa.com.tr) and on our Company page on the information portal of Central Registry Agency (MKK).

No Extraordinary General Meeting was held between 1 January 2019 and 31 December 2019.

4.4 Administrative or Legal Sanctions Imposed Upon the Company and the Members of the Managing Body due to the Practices against the Legislation Provisions

No administrative or legal sanctions were imposed upon the Company or members of the managing body as a result of practices contravening the provisions of legislation between 1 January 2019 and 31 December 2019.

4.5 Lawsuits filed against the Company which could affect the financial situation of the company

As of 31 December 2019, in accordance with the opinions of legal advisers, the Group reserved a provision of TL 20,028,140 for lawsuits that may result in a verdict against the Group.

4.6 Donations Granted in the Period

Between 1 January 2019 and 31 December 2019, donations amounting to a total of TL 312,388 in cash and in kind were granted to various public institutions and organizations.

4.7 Information and Evaluations on whether or not the Targets set in previous periods have been achieved, whether or not General Assembly Decisions have been implemented, and where if Targets have not been achieved, or the Decisions have not been Implemented, Information and Evaluations on Reasons for the Failure to Achieve Said Targets or Failure to Implement the Said Decisions

The Company management continues its efforts to reach the targets set in the previous periods. It has sought to compensate for the contraction in demand in the domestic market by increasing exports. The decisions taken at the Annual General Meeting held on 27 March 2019 were implemented.
4.8 Among all transactions carried out in 2019 with the controlling shareholder and affiliates of the controlling shareholder, cases where the transaction was performed or the measures taken, or avoided.
In 2019, in all transactions carried out with the controlling shareholder and the affiliates of the controlling shareholder, in case that the transaction is performed or the measure is taken or it is avoided, according to the terms and conditions known to the Board of Directors, there is no appropriate measure of counter-action in any transaction and no measures taken or taken to prevent damage to the Company, or that is avoided to be taken, and within this framework, there are no measures required to offset.

5. FINANCIAL STATUS

5.1 Measures under Consideration to Improve the Financial Structure of the Company
Under current market conditions, Çimsa conducts action plans aimed at the effective management of working capital, and carries out profit-increasing infrastructure and marketing and cost-reducing investments and activities. The company manages its financial structure in accordance with procedures by planning current TL and foreign currency cash inflows and requirements.

5.2 Key Financial Ratios

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net Working Capital = Current Assets - Current Liabilities</td>
<td>-291,802,196</td>
<td>-496,439,293</td>
</tr>
</tbody>
</table>

I- Liquidity Ratios

1- Current Ratio = Current Assets / Short Term Liabilities
    | 0.78 | 0.65 |

2- Liquidity Ratio = Current Assets-Inventories-Prepaid Expenses – Assets Related to the Current Period Tax - Other Current Assets / Short Term Liabilities
    | 0.68 | 0.46 |

II- Financial Structure Ratios

1- Total Liabilities / Shareholders’ Equity
    | 1.54 | 1.40 |

2- Short Term Liabilities / Total Assets
    | 0.36 | 0.41 |

3- Long Term Liabilities / Total Assets
    | 0.25 | 0.17 |

5.3 Revenues
The total gross domestic revenue for the period from 1 January 2019 to 31 December 2019 period stood at TL 861 million, decreasing by 20% compared to the previous year. International gross revenue increased by 32% to TL 1.1 billion.

6. RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

6.1 Risk Management Policy that the Company will implement Against Predicted Risks, if any
The company’s investment and working capital requirements are financed by short and mid to long-term export loans and loans denominated in Turkish Lira and foreign currency.

While the exchange risks stemming from foreign-currency-based loans are naturally offset by export revenues, the appropriate financial instruments are additionally taken into account.

Identification and monitoring of the probable risks that the company could encounter forms the basis of risk management. Corporate risk management practices are carried out in line with the risk management and practices procedure applied by group companies of Hacı Ömer Sabancı Holding A.Ş., one of our partners. The risks which the company could likely encounter were classified based on their priorities and critical risks are monitored by the senior management of the Company and the Board of Directors. The risks are insured under the local and global policies in accordance with Sabancı Holding’s risk policies in order to minimize the risks, which could directly impact the Company’s financial status, for all plants.
The Corporate Risk Management Department operates in order to ensure effective execution of corporate risk management. Processes to be applied for effective risk management on a company basis have been developed and implemented within the Risk Management Department. With the Corporate Risk Management Department, the company systematically measures, assesses and prioritizes the operational, financial, strategic and external risks which could prevent the company from reaching its general strategy and goals, and the company regularly monitors the identified critical risks.

The Corporate Risk Management Department reports its activities, whether or not the current actions had the desired impact and improvement on the risks, and the results obtained to the Corporate Governance Committee at meetings held throughout the year. Risk management activities and their effectiveness are assessed by the committee and shared with the Board of Directors.

The Committee for Early Detection of Risk was established in line with the Capital Markets Board’s Communique on Corporate Governance, and the Committee and the Corporate Risk Management Directorate are expected to work in cooperation.

The establishment of the Corporate Risk Management at Çimsa was intended to encourage the rolling out of the risk management culture and perspective across all company units, the development of proactive approaches, the laying out of possible opportunities, the preservation and enhancement of company value, improvement in natural hedging and portfolio management and increasing the trust and confidence of the stakeholders.

7. AMENDMENTS MADE IN THE ARTICLES OF ASSOCIATION DURING THE PERIOD
There was no amendment to the Articles of Association between 1 January and 31 December 2019.

8. QUALITY AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS IF ANY
Referring to the authorization granted by the Board of Directors of the Company on 9 October 2018 with the 29th article of the Company’s Articles of Association, the debt securities issuance limit application made to the Capital Markets Board concerning the issuance of bonds and/or bills to be sold to qualified investors without public offering, not exceeding TL 1,000,000,000 TL (one billion Turkish Liras), to be conducted at once or more than once in line with the needs of the Company, and determining the maturity of the bonds and/or bills to be issued, in different terms, for a maximum of 3 years, was approved by the Capital Markets Board in its decision No: 56/1296 dated 15 November 2018.

The Company completed the sale of TRSCMSA32112 ISIN-coded bond issuance with a nominal value of TL 150,000,000, a term of 728 days and a variable interest rate indexed to the 3 month term Turkish Lira Reference Interest Rate to qualified investors. The maturity starting date is 21 March 2019, and the redemption date is 18 March 2021.

9. DEVELOPMENTS IN THE SECTOR AND MAJOR FACTORS AFFECTING THE SECTOR
Our country is the leader in Europe in cement production and is among the top ten countries in the global arena. According to the data of the Turkey Cement Manufacturers Association (TCMA), there are 54 integrated cement factories and 22 grinding plants that are currently active in our country.

According to the data of TCMA, cement production in the Turkey market in the first eleven months of 2019 declined by 23% compared to the same period of 2018 and it stood at 53 million tons. In the same period, clinker production decreased by 20% and the total production stood at 53 million tons.

In the said period, domestic cement consumption decreased by 31% and stood at 42.2 million tons considering the TCMA member plants.

Despite the contraction in domestic cement industry, an increase in export volume was observed. In the first eleven months of 2019, cement exports increased by 52% compared to the same period of the previous year and reached 10.3 million tons, while clinker exports increased by 108% to 10.8 million tons.

10. THE POSITION OF ÇİMSA IN THE SECTOR WHERE IT OPERATES
One of the leading organizations of the Turkish industry, Çımsa was established in 1972. Today, Çımsa continues its activities with its 5 integrated plants located in Mersin, Eskişehir, Kayseri, Niğde, and Afyonkarahisar, a grinding plant in Ankara, and the Malatya Cement Packing Plant.
Çimsa is one of the world’s top three brands in the field of white cement and is an international cement producer with its terminals located in Hamburg (Germany), Trieste (Italy), Sevilla and Alicante (Spain), Famagusta (TRNC), Constanta (Romania), and Novorossiysk (Russia).

Çimsa started to produce Ready-Mixed Concrete in Adana in 1988 with the Zeytinli Ready-Mixed Concrete Plant. With its 16 ready-mixed concrete plants Çimsa has an extensive distribution network.

Çimsa meets the product and servicing needs of its customers completely and promptly with its market focused approach and wide distribution network. Çimsa provides required materials for the living environments that will extend to future generations and their infrastructure as a reliable business partner for its stakeholders. Çimsa leads Turkey’s cement and construction materials sector in terms of innovation with its special products such as white cement and calcium aluminate cement as well as the grey cement it produces.

Having created value for all of its stakeholders and focused on profitable growth, Çimsa aims to continue this trend into the future.

11. PROJECTIONS ON THE DEVELOPMENT OF THE ENTERPRISE
A member of the Sabancı Cement Group, Çimsa enriches the ordinary strategic planning process with the implementation of a scenario-based approach. In the most basic sense, the scenario-based strategic planning refers to developing the necessary strategic options in order to succeed in possible future scenarios. Thus, Çimsa will identify the best strategic orientation for each possible scenario that may emerge in the future, instead of a future-based planning established upon a single projection. This gives Çimsa flexibility in terms of preparation and planning for the future.

12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY

The Mersin Plant
At the Çimsa Mersin Plant, grey clinker/cement, white clinker/cement, calcium aluminate clinker/cement are produced from a total of four production lines. The grey clinker production capacity is 1.25 million tons/year, the white clinker production capacity is 1.22 million tons/year and the calcium aluminate clinker production capacity is 45,000 tons/year.

Started production in 1975, the plant’s first production line has a double cyclone line pre-heated rotary kiln line without calcination, which has a diameter of 5.25 m and a length of 83 m. There are two crushers, one pre-homogenization unit, two raw meal mills with ball, two raw meal silos, and two closed clinker stock halls at the plant.

The rotary kiln with a 3.6 m diameter and 49 m length of the second plant’s production line, which can produce both grey clinker and white clinker, was commissioned in December 1989. The plant consists of a raw material mill with crushers and pre-homogenization systems, one coal mill, two raw meal silos, a rotary kiln and a clinker stock hall.

The production capacity of this plant, which can produce both grey clinker and white clinker according to sales demand, is 1,845 tons/day for grey clinker and 1,470 tons/day for white clinker. In 2016, with the improvement work carried out, the capacity reached 1,515 tons/day.

At the Çimsa Mersin Plant, waste gasses coming from the 1st and 2nd production lines of the plant are converted into electrical energy with the ‘Generating Electricity from Waste Gas Project’ commissioned in April 2012, which aims to generate 50% of the electricity consumed at these two lines. In addition, the environment is protected thanks to the lower carbon emissions.

Commissioned in December 1999, the Hacı Sabancı White Cement Production Plant (the Plant’s Third Production Line) has a rotary kiln with a 3.75 m diameter and a 57 m length and a production capacity of 2,000 tons/day. The plant consists of a raw material mill with a crusher and pre-homogenization systems, one coal mill, one raw meal silo, a rotary kiln and the clinker stock hall.

This production line, operating as the Calcium Aluminate Cement Production Plant (abbreviated as the CAC Plant), was commissioned in 2002 with its kiln having a capacity of 15,000 tons/year.
With the packaging unit built in 2009, products started to be offered to customers in 25 kg bags, on pallets and in the 1.5 and 1.0 ton big-bag type packages. A third kiln with a capacity of 15,000 tons/year was added to the system in 2013, thus increasing the total capacity to 45,000 tons/year.

The Kayseri Plant
Kayseri Cement Factory was established by Akçimento in 1992 as a Grinding Packaging Facility and was purchased by Çimsa in 1996. With the investment made in 2005, it has been turned into an Integrated Cement Factory. The facility uses state-of-the-art technology, and has an ILC type pre-calcination system with low NO\textsubscript{x} emission as the main unit, a five-stage cyclone pre-heater and a rotary kiln 55 m in length and 3.6 m in diameter. The plant, with a clinker production capacity of 2,500 tons/day also contains one raw material crusher, clay and limestone pre-homogenization facilities, one ball coal mill, one vertical raw meal mill and two ball cement mills.

The Eskişehir Plant
Established in 1957, the Eskişehir Plant was purchased from the Saving Deposits Insurance Fund (TMSF) on 27 December 2005.

The first production line was commissioned in 1976 with a three stage pre-heater and a dry system kiln with a 3.6 m diameter and a 52 m length and a capacity of 275,000 tons/year, and thus, the total capacity was increased to 425,000 tons/year.

After being taken over by the Çimsa management, the clinker production capacity reached 1,750 tons/day in May 2007 at the first production line with the investments to add a dynamic separator to the raw material mill, the complete renewal of the existing clinker cooling system, the rotary kiln burner and dosage system, and the new electro-filter units added to the kiln line.

In addition, a new closed circuit cement mill with a capacity of 85 tons/hour was commissioned. In 2008, 2\textsuperscript{nd} clinker production was put into operation with a capacity of 750,000 tons/year. In 2017, Vertical cement mill was commissioned with a capacity of 1,050,000 tons/year.

The first line grey clinker-white clinker alternate production investment was completed in 2018. In this way, it has reached 400,000 tons/year white clinker / 750,000 tons/year grey clinker capacity. In addition, the 2\textsuperscript{nd} cement mill was modernized and made suitable for producing white cement.

The Niğde Plant
The Niğde Cement Plant was established in 1957. In line with the Competition Council’s decision to terminate the “Sabancı and Oyak” partnership, the Oysa Niğde Cement Plant was renamed as the Çimsa Çimento San. ve Tic. A.Ş. Niğde Cement Plant on 01 November 2007. It has been continuing its production under this name since then. The rotary kiln with a diameter of 3.8 m and a length of 52 m with a four-stage pre-heater and cross-bar cooler has been completed in 2017, and the pre-heater, which is 4-stage, has been increased to 5 stages, and the pre-calcination system has been added, and the raw meal ball mill was replaced with a vertical mill. These investments led to an increase in grey clinker production capacity that reached 2,600 tons/day. In addition the plant, which has a single production line, consists of one hammer crusher, one coal vertical mill, and one cement mill with a roller press crusher system.

The Ankara Cement Grinding and Packaging Plant
In 2005, the Ankara Lalahan Cement Grinding and Packaging Plant was included within the Çimsa group together with the Eskişehir Cement Plant. At the Ankara Plant, which does not have a rotary kiln, the clinker supplied from other Çimsa plants are ground, turned into cement and sold.

The Ankara Cement Grinding and Packing Plant has one raw material crusher, two cement silos and a packaging unit, as well as a cement mill with an 85 tons/hour capacity.

The Malatya Cement Packaging Facility
Established in 1996 adjacent to the Malatya Battalgazi Train Station, the Malatya Cement Packaging Facility has a processing and packaging capacity of 60,000 tons/year.
There are three cement silos with a total capacity of 900 tons at the plant. The cement is sold both in packages and in bulk.

**The Afyon Plant**
The Afyon Cement Plant started production in 1957 with the commissioning of a wet system kiln with a 2.8 m diameter and a 69.5 m length and a capacity of 85,000 tons. In 1965, clinker production capacity was increased to 160,000 tons with the transformation of the kiln into the semi-wet system. The 2nd kiln, again built as a semi-wet system, of 3.6 m diameter and 53.5 m length, was commissioned in 1966 and the production capacity of the plant was increased to 400,000 tons.

51% of the shares of Afyon Çimento Sanayi Türk Anonim Şirketi that was established in 1957 was purchased by Çimsa on 31 May 2012. The company has continued its activities as a subsidiary of Çimsa since this date.

The Afyon Cement Plant has a new production facility equipped with modern technology and established with an annual clinker production capacity of 1,650,000 tons/year and a cement production capacity of 2,000,000 tons/year of the village of Halimoru outside the city of Afyon. The plant started production and sales activities in April 2017. After the new plant was brought into operation, the old plant was decommissioned.

**Information on the Çimsa Plants**

<table>
<thead>
<tr>
<th>Production Lines</th>
<th>Clinker Production Capacity (Tons/Day)</th>
<th>Raw Meal Kiln Diameter (m)</th>
<th>Cooler Type</th>
<th>Mill Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mersin Çimsa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Plant</td>
<td>3,825 grey clinker</td>
<td>5.3</td>
<td>Cross-bar cooler</td>
<td>Ball mill</td>
</tr>
<tr>
<td>2nd Plant</td>
<td>1,845 grey clinker</td>
<td>3.6</td>
<td>Cross-bar cooler</td>
<td>Roller mill</td>
</tr>
<tr>
<td>or 2nd Plant</td>
<td>1,515 white clinker</td>
<td>3.6</td>
<td>Cross-bar cooler</td>
<td>Roller mill</td>
</tr>
<tr>
<td>3rd Plant</td>
<td>2,049 white clinker</td>
<td>3.8</td>
<td>Rotary cooler</td>
<td>Roller mill</td>
</tr>
<tr>
<td><strong>1st ISIDAÇ 40</strong></td>
<td>55 ISIDAÇ-40 clinker</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2nd ISIDAÇ 40</strong></td>
<td>55 ISIDAÇ-40 clinker</td>
<td></td>
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<tr>
<td><strong>3rd ISIDAÇ 40</strong></td>
<td>55 ISIDAÇ-40 clinker</td>
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<td><strong>Kayseri Çimsa</strong></td>
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<tr>
<td>Production Line</td>
<td>2,500 grey clinker</td>
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<td>Cross-bar cooler</td>
<td>Roller mill</td>
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<tr>
<td><strong>Eskişehir Çimsa</strong></td>
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<tr>
<td>1st Production Line</td>
<td>1,200 white clinker</td>
<td>3.6</td>
<td>Rotary cooler</td>
<td>Vertical mill</td>
</tr>
<tr>
<td>or 1st Production Line</td>
<td>2,200 grey clinker</td>
<td>3.6</td>
<td>Cross-bar cooler</td>
<td>Vertical mill</td>
</tr>
<tr>
<td>2nd Production Line</td>
<td>2,300 grey clinker</td>
<td>3.6</td>
<td>Cross-bar cooler</td>
<td>Vertical mill</td>
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<tr>
<td><strong>Niğde Çimsa</strong></td>
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<tr>
<td>Production Line</td>
<td>2,600 grey clinker</td>
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<td>Line</td>
<td>Vertical mill</td>
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<tr>
<td><strong>Afyon Çimento Sanayi Türk A.Ş.</strong></td>
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<tr>
<td>1st Production Line</td>
<td>5,000 grey clinker</td>
<td>4.8</td>
<td>Line Roller</td>
<td>Vertical mill</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Grinding Plant</th>
<th>Mill Production Capacity (Tons/Day)</th>
<th>Mill Diameter (m)</th>
<th>Mill Cement Length (m)</th>
<th>Mill Type</th>
</tr>
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<tbody>
<tr>
<td>Ankara Çimsa</td>
<td>2,040</td>
<td>4.2</td>
<td>13</td>
<td>Ball mill</td>
</tr>
</tbody>
</table>
Ready-Mixed Concrete Facilities
Çimsa Ready-Mixed Concrete started its production in Adana with the Zeytinli Ready-Mixed Concrete Plant in 1988. With a total of 16 ready-mixed concrete plants Çimsa has an extensive distribution network.

The Company closely follows technological and scientific developments and offers the developments to its customers as new products, new equipment pool and services. At the plants, with experienced employees, a total of 162 transmixers are used along with 56 mobile and 3 fixed pumps.

13. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD

Çimsa Cement Sales North GmbH (Germany)
Çimsa Cement Sales North GmbH, which was established in 2000 in partnership with German Cement Terminals North GmbH and fully acquired by Çimsa in 2014, carries out white cement and Calcium Aluminate Cement marketing activities in the North and West Europe with its 9,000-ton capacity bulk cement silo. As well as marketing white cement and calcium aluminate cement in bulk to Germany, France and Benelux countries, it also realizes sales to Norway, Denmark, Switzerland, Austria, and the Czech Republic. The Company is headquartered in Hamburg, Germany. It carries out its operations with an administrative and sales office in Hamburg and warehouses for various packaged products and cycling facilities in Germany and the Netherlands.

The white cement market in Germany and the neighboring countries are among the most important in Europe, together with the Spanish market. The calcium aluminate cement market in Germany and neighboring countries is the most important market in Europe in this field. Çimsa, which has realized sales to the market through the terminal channel since 2000, reaches the customers in these markets directly with its own brand, and is among the preferred actors in the market both in terms of its product quality and its service quality.

Çimsa Adriatico S.R.L (Italy)
With the acquisition of a majority stake in the Medcon Company on 9 February 2010, Çimsa became the majority owner of the terminal with four 5,000-ton silos located at the Trieste Port. The title of the company was changed as Cimsa Adriatico SRL on 26 April 2010. The terminal enables access to the Italian market, which is Europe’s third largest white cement consumer after Spain and Germany, with the Çimsa brand. The terminal, with its advantageous location, is located in a position to sell not only to Northern Italy, but also to the developing Slovenia, Croatia, Bosnia-Herzegovina, South Eastern Germany, and Austria markets. The terminal is suitable not only for storing and packing white cement but also for storing grey cement, and it also supplies ISIDAÇ 40 (Calcium Aluminate Cement).

Çimsa Cementos Espana S.A.U. (Spain)
With its terminal located at Sevilla since 1996, Çimsa reaches Spanish white cement consumers directly and thus increases the effectiveness of marketing activities of its cement. The white cement, produced at the Mersin Cement Plant, arrives at the Sevilla Port in bulk by means of vessels. It is transported via cement trailers from the port to the two 5,000-ton silos owned by Çimsa Cementos. Besides the packaging facility with a 125 tons/day capacity located at the terminal, there is also a facility producing white cement mixed flooring material at the terminal. Çimsa Cementos has been marketing Çimsa’s white cement in the Seville, Madrid, Cordoba, and Granada markets since 1996. In addition, ISIDAÇ 40 (Calcium Aluminate Cement) is transported from Turkey in bags and is again sold from the terminal.

The Alicante Terminal was built on an area of 6,877 m² at the Alicante Port, with the aim of increasing the focus on the consumers in Spain, which is Europe’s most important white cement market. The white cement produced at the Mersin Cement Plant arrives at the Alicante Port in bulk in vessels.

The Alicante Terminal, which is one of the most modern cement terminals in Spain, consists of three main units, including 127 m² of office space, a 1,232 m² packaging building and the bulk filling building.

Çimsa Cement Free Zone Ltd. (TRNC)
Çimsa has been serving this market since 2005 with a terminal which has a storage capacity of 5,000 tons of grey cement, established at the Famagusta Free Port and Zone in the Turkish Republic of Northern Cyprus (TRNC).
Grey cement produced by Çimsa at the Mersin Cement Plant is transported to the Cyprus Famagusta Port from the Mersin Port by sea, and pumped to the Çimsa Cement Free Zone silos from the vessels through unloaders. Cement is sold in bulk from the silos according to the level of demand in the market. For customers who demand bagged cement, the bagged cement is imported from the Çimsa Mersin Plant and the marketing activities are carried out.

**Çimsarom Marketing Distributie S.R.L. (Romania)**
The Company was established at the port of Constanta to serve the Romanian market, which has been developing rapidly after accession to the European Union. It markets the Çimsa white cement and ISIDAÇ 40 (Calcium Aluminate Cement) to mainly Romania and the surrounding markets.

**OO Çimsa Rus CTK (Russia)**
In order to meet the demand in the rapidly growing Russian market, Çimsa built a terminal at Novorossiysk in 2008 and the establishment procedures of the Company were completed in July 2008.

The white cement packing plant, with a 7,000-ton silo capacity, has been operating since 2008 and meets the demands of customers in the Russian market.

**Çimsa Americas Cement Manufacturing and Sales Corp. (USA)**
Çimsa participated in the company, named Çimsa Americas Cement Manufacturing and Sales Corp., in the United States founded with a capital of USD 14 million in 2017 as a 100% founding partner. The Company's field of activity has been determined as cement production, sales, and marketing. The company has completed its investment process and started trial production.

### 14. PERSONNEL MOVEMENTS AND COLLECTIVE BARGAINING ADMINISTRATION

#### 14.1 Number of Personnel
A total of 1,197 personnel were employed at the Çimsa group workplaces included in the consolidation (including Çimsa terminals abroad and Afyon Çimento) as of 31 December 2019.

#### 14.2 Collective Bargaining Administration Practices
The Collective Bargaining Agreement was signed for 2 (two) years in a way to cover the period between 1 January 2020 and 31 December 2021 with a consensus achieved during the collective bargaining negotiations between the Union of Cement Employers (ÇEİS) and T. Çimse-İş Union held in February 2020.

#### 14.3 Compensation and Fringe Benefits for Personnel
The personnel categorized as out-of-scope (white collar) are provided with a total gross remuneration package consisting of 12 gross salaries and 4 gross bonuses. As defined in the relevant Company procedures, white-collar employees may receive fringe benefits, such as private life insurance, private health insurance, an employer-contributed private pension plan, a corporate mobile phone line, a corporate smartphone device, a company car, a meal card, personnel transport service depending on the scope of the work and the position. The personnel categorized as in-scope (blue collar) are provided with a total gross remuneration package consisting of 12 gross salaries and 4 gross bonuses paid in March, June, September and December. In addition to payment of gross social benefits provided for 12 times a year and hour-based shift premiums related with night work, other social benefits are provided in such situations such as marriage, moving, birth, and death. Also, a seniority incentive bonus may be provided within the scope of the Collective Bargaining Agreement that is in effect.
### 15. CENTRAL AND OFF-CENTRAL ORGANIZATIONS

<table>
<thead>
<tr>
<th>Address Contact Information</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headquarters</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Küçükbakkalköy Mahallesi Kayıdağı Caddesi No: 1 | Telephone: 0216 651 53 00  
| Allianz Tower Kat: 23-24 34750 Ataşehir / ISTANBUL | Fax: 0216 651 14 15 |
| **Cement Plants** | | 
| Çimsa Mersin | Telephone: 0324 454 00 60  
| Toroslar Mah. Tekke Cad. Yenitaşkent/Mersin | Fax: 0324 454 00 75 |
| Çimsa Kayseri | Telephone: 0352 712 16 07  
| Malatya Karayolu 35. Km Bünyan/Kayseri | Fax: 0352 712 16 90 |
| Çimsa Eskişehir | Telephone: 0222 411 32 00  
| İstanbul Karayolu 22. Km Çukurhisar/Eskişehir | Fax: 0222 411 31 31 |
| Çimsa Ankara | Telephone: 0312 865 23 96  
| Karşıyaka Mah. Fırat Cad. No: 3 Lalahan/Ankara | Fax: 0312 865 23 95 |
| Çimsa Niğde | Telephone: 0388 232 36 30  
| Hacı Sabancı Bulvarı Niğde | Fax: 0388 232 36 34 |
| Çimsa Malatya Terminal | Telephone: 0422 841 36 77  
| TCDD Yanı Çimento Dolum Tesisi Battalgazi Malatya | Fax: 0422 841 32 30 |
| Çimsa Çimento San. ve Tic. A.Ş. / Mersin Free- | | 
| zone Branch | | 
| Yalçın Alaybeyoğlu Bulvarı Parkur İş Merkezi Ofis | Telephone: 0324 233 47 65  
| No: 209 Serbest Bölge/Mersin | Fax: 0324 233 47 66 |
| Çimento Sanayi T.A.Ş. | | 
| Halımor Köyü Almacık Mekvii 03030 Merkez- | | 
| Afyonkarahisar | | 
| Afyon Çimento Sanayi T.A.Ş. | | 
| Halımor Köyü Almacık Mekvii 03030 Merkez- | | 
| Afyonkarahisar | | 
| **Ready Mixed Concrete and Aggregate Plants** | | 
| Zeytinli Ready Mixed Concrete Plant | | 
| Adana - Mersin Yolu Üzeri 17. Km Kestel Mekvii | 0216 651 53 00  
| Zeytinli Seyhan/Adana | 0536 521 52 02 |
| Misis Ready Mixed Concrete Plant | | 
| Hacı Sabancı Organize Sanayi Bölgesi 6. Cadde Misis Yüreğir/Adana | 0216 651 53 00  
| | 0530 441 85 39 |
| Incirlik Ready Mixed Concrete Plant | | 
| Güzelevler Mah. Girne Bulvarı Bossa – 2 Fab. Yarı | 0216 651 53 00  
| Yüreğir/ Adana | 0530 495 17 09 |
| Kahramanmaraş Ready Mixed Concrete Plant | | 
| Kayseri Yolu Üzeri 2. Km Galericiler Sitesi Bıtışığı Kahramanmaraş | 0216 651 53 00  
| | 0535 545 15 82 |
| Anbar Ready Mixed Concrete Plant | | 
| Ankara Karayolu Üzeri Ambar Mekvii Bölge Trafik Arkası/Kayseri | 0216 651 53 00  
| | 0530 939 50 89 |
| Tece Ready Mixed Concrete Plant | | 
| Cumhuriyet mah.Mersin Silifke karayolu üzeriTec | 0216 651 53 00  
| mekvii-Mezitli /Mersin | 0535 545 15 84 |
| Tarsus Ready Mixed Concrete Plant | | 
| İşyerinin Adresi Çamlıyayla Yolu, Eshab-ı Kehf Yol Kayaşı, Tarsus/Mersin | 0216 651 53 00  
| | 0530 387 11 91 |
| Silifke Ready Mixed Concrete Plant | | 
| Kabasakallı Köyü Gökçeboyu Mekvi, Silifke/Mersin | 0216 651 53 00  
| | 0533 472 56 34 |
| Aksaray Ready Mixed Concrete Plant | | 
| Organize San. Bölgesi Aksaray | 0216 651 53 00  
| | 0533 529 85 29 |
| Ereğli Ready Mixed Concrete Plant | | 
| Konya Yolu Üzeri 3. Km. Ereğli/Konya | 0216 651 53 00  
<p>| | 0530 157 12 57 |</p>
<table>
<thead>
<tr>
<th>Ready Mixed Concrete Plant</th>
<th>Address</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>İnegöl Ready Mixed Concrete Plant</td>
<td>Cerrah Kasabası Kalburt Mevkii Dereboyu - İnegöl/Bursa</td>
<td>0216 651 53 00 0539 587 81 32</td>
</tr>
<tr>
<td>Adapazarı Ready Mixed Concrete Plant</td>
<td>Orta Mah. Plevne Cad. No: 31 Sakarya</td>
<td>0216 651 53 00 0530 939 48 14</td>
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<tr>
<td>Eskişehir Ready Mixed Concrete Plant</td>
<td>Muttalip Yolu 500. Metre – Eskişehir</td>
<td>0216 651 53 00 0533 293 55 59</td>
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<tr>
<td>Kütahya Ready Mixed Concrete Plant</td>
<td>Zafer Tepe Mah.Selçuklu Cad. No36 Merkez/Kütahya</td>
<td>0216 651 53 00 0533 293 55 59</td>
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<tr>
<td>Bor/Niğde Ready Mixed Concrete Plant</td>
<td>Ahmet Kuddusi Mahallesı Mehmet Biyık Caddesi No: 184 Bor/Niğde</td>
<td>0216 651 53 00</td>
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<tr>
<td>Afyon Organized Industrial Zone Ready Mixed Concrete Plant</td>
<td>Afyonkarahisar Organize Sanayi Bölgesi Mah. 4 Cad.2 Sk. No: 1 Merkez- Afyonkarahisar</td>
<td>0216 651 53 00 0530 151 43 50</td>
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</tbody>
</table>

**Overseas Terminals**

<table>
<thead>
<tr>
<th>Overseas Terminals</th>
<th>Address</th>
<th>Contact Information</th>
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</thead>
<tbody>
<tr>
<td>Cimsa Cementos Espana S.A.U – Spain</td>
<td>Carretera de la Esclusa S/N, Darsena del Batan Notre, 41011 Puerto de Sevilla / Spain</td>
<td>Telephone: 00 34 95 427 50 68 Fax: 00 34 95 427 19 36</td>
</tr>
<tr>
<td>CSN Cement Sales North GmbH - Germany</td>
<td>NesserlanderStrasse, 5 Emden / Germany 26721</td>
<td>Telephone: 00 49 40 70 20 93 14 Fax: 00 49 70 20 93 20/22</td>
</tr>
<tr>
<td>Çimsa Cement Free Zone Ltd - TRNC</td>
<td>Serbest Liman, Gazi Magosa/ TRNC</td>
<td>Telephone: 00 90 392 365 49 80 Fax: 00 90 392 365 49 81</td>
</tr>
<tr>
<td>Cimsarom Marketing Distributie S.R.L Romania</td>
<td>BdMamaia, Office Nr 5, Nr 251 Et 4, Constanta/ Romania</td>
<td>Telephone: 00 40 241 585 333 Fax: 00 40 241 585 333</td>
</tr>
<tr>
<td>Cimsa-Rus Cement Trading Company Limited - Russia</td>
<td>353960 Krasnodarskiy Krai Svoboda Str Nº1/A Cemdolina Novorossiysk, Russia</td>
<td>Telephone: + (8617) 67 20 31 Fax: +7 (8617) 67 20 32</td>
</tr>
<tr>
<td>Cimsa Adriatico S.R.L - Italy</td>
<td>Riva Alvise Cadamosto, 8 34147 Trieste / Italy</td>
<td>Telephone: 00 39 040 282 09 18 Fax: 00 39 040 282 09 23</td>
</tr>
<tr>
<td>Cimsa Americas Cement Manufacturing and Sales Corporation</td>
<td>2425 West Loop South, Suite 200 Houston, Texas 77027 United States of America</td>
<td>Telephone: +1 713 335 5529 Fax: +1 713 297 8864</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS & INDEPENDENT AUDIT REPORT

120 ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
1 January-31 December 2019 Independent Auditor’s Report and Consolidated Financial Statements

209 Profit Distribution Proposal and Results

210 Profit Distribution Table
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, 2019, 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, 2019, 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**

<table>
<thead>
<tr>
<th><strong>Goodwill impairment test</strong></th>
<th><strong>How key audit matter addressed in the auditor’s response</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31 December 2019, there is a goodwill amounting to TL 148,119,252 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.</td>
<td>The assumptions, sensitivities and results of the tests performed are disclosed in Note 14 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.</td>
</tr>
</tbody>
</table>

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.)
INDEPENDENT AUDITOR’S REPORT

- 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 21 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 2019 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
21 February 2020
İstanbul, Türkiye
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<thead>
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<th>Page</th>
</tr>
</thead>
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<td>Consolidated statement of profit or loss</td>
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<td>Consolidated statement of other comprehensive income</td>
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<td>Consolidated statement of changes in equity</td>
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<td>Consolidated statement of cash flows</td>
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<tr>
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<td>131 - 208</td>
</tr>
<tr>
<td>Note</td>
<td>(Audited) Current Period 31 December 2019</td>
</tr>
<tr>
<td>------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>6</td>
</tr>
<tr>
<td>Trade receivables from related parties</td>
<td>28</td>
</tr>
<tr>
<td>Trade receivables from third parties</td>
<td>458,942,941</td>
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<tr>
<td>Other receivables</td>
<td>3,972,111</td>
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<tr>
<td>Other receivables from related parties</td>
<td>28</td>
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<td>Other receivables from third parties</td>
<td>8</td>
</tr>
<tr>
<td>Derivate financial instruments</td>
<td>20</td>
</tr>
<tr>
<td>Inventories</td>
<td>9</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10</td>
</tr>
<tr>
<td>Assets related to the current period taxes</td>
<td>26</td>
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<tr>
<td>Other current assets</td>
<td>18a</td>
</tr>
<tr>
<td>Investment property</td>
<td>12</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
</tbody>
</table>

|      |                                          |                                          |
| **Non-current assets** | | **2,721,016,223** | **2,544,020,468** |

|      |                                          |                                          |
| **TOTAL ASSETS** | | **3,774,756,771** | **3,483,989,356** |

The accompanying notes form an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Note</th>
<th>(Audited) Current Period 31 December 2019</th>
<th>(Audited) Prior Period 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Short-term borrowings</td>
<td>7</td>
<td>674,684,295</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>7</td>
<td>205,671,500</td>
</tr>
<tr>
<td>Trade payables</td>
<td>6</td>
<td>353,739,900</td>
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<tr>
<td>( Trade payables to related parties )</td>
<td>28</td>
<td>63,805,500</td>
</tr>
<tr>
<td>( Trade payables to third parties )</td>
<td></td>
<td>289,934,400</td>
</tr>
<tr>
<td>Employee benefit obligations</td>
<td>17</td>
<td>9,459,649</td>
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<tr>
<td>Other payables</td>
<td>8</td>
<td>26,554,732</td>
</tr>
<tr>
<td>( Other payables to related parties )</td>
<td>28</td>
<td>3,537,576</td>
</tr>
<tr>
<td>( Other payables to third parties )</td>
<td></td>
<td>23,017,156</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>20</td>
<td>17,038,221</td>
</tr>
<tr>
<td>Deferred income</td>
<td>10</td>
<td>23,577,123</td>
</tr>
<tr>
<td>Current income tax liability</td>
<td>26</td>
<td>287,389</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td></td>
<td>20,028,140</td>
</tr>
<tr>
<td>( Short-term provisions for employee benefits )</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Other short-term provisions</td>
<td>15</td>
<td>20,028,140</td>
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<tr>
<td>Other current liabilities</td>
<td>18b</td>
<td>14,502,245</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td>1,345,542,744</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>7</td>
<td>820,816,512</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td></td>
<td>47,337,626</td>
</tr>
<tr>
<td>( Long-term provisions for employee benefits )</td>
<td>15,17</td>
<td>43,128,555</td>
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<tr>
<td>( Other long-term provisions )</td>
<td>15</td>
<td>4,209,071</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>20</td>
<td>23,036,946</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>26</td>
<td>52,259,704</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td>943,450,788</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>19</td>
<td>135,084,442</td>
</tr>
<tr>
<td>Adjustments to share capital</td>
<td>19</td>
<td>41,741,516</td>
</tr>
<tr>
<td>Share premiums</td>
<td></td>
<td>1,099,415</td>
</tr>
<tr>
<td>Other comprehensive income/expense to be reclassified to profit or loss</td>
<td></td>
<td>27,302,196</td>
</tr>
<tr>
<td>( Foreign currency translation reserve )</td>
<td></td>
<td>54,499,662</td>
</tr>
<tr>
<td>( Hedge fund )</td>
<td>(39,575,608)</td>
<td>(75,387,265)</td>
</tr>
<tr>
<td>( Increase/(decrease) funds of available-for-sale financial assets )</td>
<td></td>
<td>12,378,142</td>
</tr>
<tr>
<td>Other comprehensive income/expense not to be reclassified to profit or loss</td>
<td></td>
<td>(8,924,835)</td>
</tr>
<tr>
<td>( Actuarial gains/(losses) on defined benefit plans )</td>
<td>(8,924,835)</td>
<td>(5,777,277)</td>
</tr>
<tr>
<td>Restricted reserves</td>
<td></td>
<td>193,104,976</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>985,356,923</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td></td>
<td>13,169,480</td>
</tr>
<tr>
<td><strong>Equity attributable to equityholders of the parent</strong></td>
<td></td>
<td>1,387,934,113</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>97,829,126</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
<td>1,485,763,239</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td></td>
<td>3,774,756,771</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

<table>
<thead>
<tr>
<th>Note</th>
<th>(Audited) Current Period 1 January-31 December 2019</th>
<th>(Audited) Prior Period 1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>21</td>
<td>1,726,195,637</td>
</tr>
<tr>
<td>Cost of sales (-)</td>
<td>22</td>
<td>(1,422,037,589)</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td></td>
<td><strong>304,158,048</strong></td>
</tr>
<tr>
<td>General and administrative expense (-)</td>
<td>22</td>
<td>(154,045,385)</td>
</tr>
<tr>
<td>Marketing, selling and distribution expense (-)</td>
<td>22</td>
<td>(15,275,456)</td>
</tr>
<tr>
<td>Research and development expenses (-)</td>
<td>22</td>
<td>(6,445,651)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>23</td>
<td>127,791,469</td>
</tr>
<tr>
<td>Other operating expenses (-)</td>
<td>23</td>
<td>(92,028,763)</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong></td>
<td></td>
<td><strong>164,154,262</strong></td>
</tr>
<tr>
<td>Income from investment activities</td>
<td>24</td>
<td>47,210,278</td>
</tr>
<tr>
<td>Expense from investment activities (-)</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(loss) from investments accounted by equity method</td>
<td>3</td>
<td>28,408,313</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</strong></td>
<td></td>
<td><strong>239,772,853</strong></td>
</tr>
<tr>
<td>Financial income</td>
<td>25</td>
<td>6,098,730</td>
</tr>
<tr>
<td>Financial expenses (-)</td>
<td>25</td>
<td>(277,872,771)</td>
</tr>
<tr>
<td><strong>PROFIT BEFORE TAXATION</strong></td>
<td></td>
<td><strong>(32,001,188)</strong></td>
</tr>
<tr>
<td>Tax income/(expense) from continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current period tax expense</td>
<td>26</td>
<td>(7,964,053)</td>
</tr>
<tr>
<td>- Deferred tax income/(expense)</td>
<td>26</td>
<td>24,775,568</td>
</tr>
<tr>
<td><strong>NET PROFIT</strong></td>
<td></td>
<td><strong>(15,189,673)</strong></td>
</tr>
<tr>
<td>Profit for the period attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-controlling interests</td>
<td></td>
<td>(28,359,153)</td>
</tr>
<tr>
<td>- Equity holders of the parent</td>
<td></td>
<td>13,169,480</td>
</tr>
<tr>
<td><strong>Earnings Per Share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share from continuing operations</td>
<td>27</td>
<td>0.0975</td>
</tr>
</tbody>
</table>

(Nominal amount of 1 Kr)

The accompanying notes form an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2019

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROFIT FOR THE PERIOD</strong></td>
<td>(15,189,673)</td>
<td>153,856,849</td>
</tr>
<tr>
<td>Other comprehensive income/expenditure to be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(11,713,203)</td>
<td>36,126,810</td>
</tr>
<tr>
<td>Available for sales financial assets revaluation reserve</td>
<td>36,567,481</td>
<td>(34,801,265)</td>
</tr>
<tr>
<td>Hedge fund</td>
<td>45,912,381</td>
<td>(79,898,509)</td>
</tr>
<tr>
<td>Tax income/(expense)</td>
<td>(18,145,570)</td>
<td>20,683,566</td>
</tr>
<tr>
<td>Other comprehensive income/expenditure not to be reclassified to profit or loss</td>
<td>(3,147,557)</td>
<td>704,339</td>
</tr>
<tr>
<td>Actuarial gains/(losses) on defined benefit plans</td>
<td>(4,035,330)</td>
<td>880,424</td>
</tr>
<tr>
<td>Tax (expense)/income</td>
<td>887,773</td>
<td>(176,085)</td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME/(EXPENSE) (AFTER TAX)</strong></td>
<td>49,473,532</td>
<td>(57,185,059)</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME</strong></td>
<td>34,283,859</td>
<td>96,671,790</td>
</tr>
</tbody>
</table>

Total comprehensive income attributable to

- Non-controlling interests                                                | (27,624,403)   | (2,054,469)    |
- Equity holders of the parent                                             | 61,908,262     | 98,726,259     |

The accompanying notes form an integral part of these consolidated financial statements.
### Other Comprehensive Income/Expense to be Reclassified to Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>Share Capital</th>
<th>Adjustments to Share Capital</th>
<th>Share Premiums</th>
<th>Foreign Currency Translation Reserve</th>
<th>Cash Flow Hedge Reserve</th>
<th>Available for Sale Financial Assets Revaluation Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2018</td>
<td>135,084,442</td>
<td>41,741,516</td>
<td>1,099,415</td>
<td>29,853,540</td>
<td>(9,896,684)</td>
<td>12,381,134</td>
</tr>
<tr>
<td>Transfer from retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,094,074</td>
<td>(65,490,581)</td>
<td>(28,525,627)</td>
</tr>
<tr>
<td>Total comprehensive income/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,094,074</td>
<td>(65,490,581)</td>
<td>(28,525,627)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>135,084,442</td>
<td>41,741,516</td>
<td>1,099,415</td>
<td>66,947,614</td>
<td>(75,387,265)</td>
<td>(16,144,493)</td>
</tr>
<tr>
<td>1 January 2019</td>
<td>135,084,442</td>
<td>41,741,516</td>
<td>1,099,415</td>
<td>66,947,614</td>
<td>(75,387,265)</td>
<td>(16,144,493)</td>
</tr>
<tr>
<td>Transfer from retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12,447,952)</td>
<td>35,811,657</td>
<td>28,522,635</td>
</tr>
<tr>
<td>Total comprehensive income/(expense)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12,447,952)</td>
<td>35,811,657</td>
<td>28,522,635</td>
</tr>
<tr>
<td>31 December 2019</td>
<td>135,084,442</td>
<td>41,741,516</td>
<td>1,099,415</td>
<td>54,499,662</td>
<td>(39,575,608)</td>
<td>12,378,142</td>
</tr>
</tbody>
</table>

(*) At the Ordinary General Assembly held on March 27, 2018, the decision regarding the distribution of TL 67,542,221 cash dividend was unanimously approved, and TL 38,935,065 of the dividend payment was made on March 29, 2018 and the remainder on April 2, 2018.
### Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss

<table>
<thead>
<tr>
<th>Actuarial gains/ (losses) on defined benefit plans</th>
<th>Restricted reserves</th>
<th>Retained earnings</th>
<th>Net profit for the period</th>
<th>Equity attributable to equity holders of the parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6,500,138)</td>
<td>187,026,176</td>
<td>675,700,470</td>
<td>228,351,942</td>
<td>1,294,841,813</td>
<td>127,507,998</td>
<td>1,422,349,811</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>6,078,800</td>
<td>222,273,142</td>
<td>(228,351,942)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
<td>154,925,532</td>
<td>154,925,532</td>
<td>(1,068,683)</td>
<td>153,856,849</td>
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<tr>
<td></td>
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</tr>
<tr>
<td>722,861</td>
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<td></td>
<td></td>
<td></td>
<td>(56,199,273)</td>
<td>(57,185,059)</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>722,861</td>
<td></td>
<td></td>
<td>154,925,532</td>
<td>98,726,259</td>
<td>(2,054,469)</td>
<td>96,671,790</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>-</td>
<td></td>
<td></td>
<td>(67,542,221)</td>
<td>(67,542,221)</td>
<td></td>
<td>(67,542,221)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5,777,277)</td>
<td>193,104,976</td>
<td>830,431,391</td>
<td>154,925,532</td>
<td>1,326,025,851</td>
<td>125,453,529</td>
<td>1,451,479,380</td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>(5,777,277)</td>
<td>193,104,976</td>
<td>830,431,391</td>
<td>154,925,532</td>
<td>1,326,025,851</td>
<td>125,453,529</td>
<td>1,451,479,380</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>154,925,532</td>
<td>(154,925,532)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
<td>13,169,480</td>
<td>13,169,480</td>
<td>(28,359,153)</td>
<td>(15,189,673)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3,147,558)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>48,738,782</td>
<td>734,750</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3,147,558)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>61,908,262</td>
<td>34,283,859</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8,924,835)</td>
<td>193,104,976</td>
<td>985,356,923</td>
<td>13,169,480</td>
<td>1,387,934,113</td>
<td>97,829,126</td>
<td>1,485,763,239</td>
</tr>
</tbody>
</table>

*(At the Ordinary General Assembly held on March 27, 2018, the decision regarding the distribution of TL 67,542,221 cash dividend was unanimously approved, and TL 38,935,065 of the dividend payment was made on March 29, 2018 and the remainder on April 2, 2018.)*
ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

<table>
<thead>
<tr>
<th>Note</th>
<th>(Audited)</th>
<th>(Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Period</td>
<td>Prior Period</td>
</tr>
<tr>
<td></td>
<td>1 January-31 December 2019</td>
<td>1 January-31 December 2018</td>
</tr>
</tbody>
</table>

A. CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>(32,001,188)</td>
<td>175,110,867</td>
</tr>
</tbody>
</table>

Adjustments to reconcile net profit/loss for the period

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Adjustment related to depreciation and amortization expense</td>
<td>142,555,654</td>
<td>109,016,505</td>
</tr>
<tr>
<td>24</td>
<td>Adjustment related to gain on sale of fixed assets</td>
<td>(46,183,410)</td>
<td>(28,270,659)</td>
</tr>
<tr>
<td>3</td>
<td>Adjustment related to retained profits of subsidiaries</td>
<td>(28,408,313)</td>
<td>(58,699,123)</td>
</tr>
<tr>
<td>6</td>
<td>Adjustment related to allowance for doubtful receivable</td>
<td>(5,040,527)</td>
<td>6,436,741</td>
</tr>
<tr>
<td>6</td>
<td>Adjustment related to provision for inventories</td>
<td>1,024,789</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Adjustment related to provision for litigations</td>
<td>2,287,258</td>
<td>168,305</td>
</tr>
<tr>
<td>15</td>
<td>Adjustment related to provision for recultivation provision</td>
<td>3,199,423</td>
<td>1,898,422</td>
</tr>
<tr>
<td>15</td>
<td>Adjustment related to provision for unlawful occupation</td>
<td>(51,018)</td>
<td>(552,704)</td>
</tr>
<tr>
<td>14</td>
<td>Adjustment related to retirement pay provision</td>
<td>3,705,259</td>
<td>-</td>
</tr>
<tr>
<td>17</td>
<td>Adjustment related to seniority provision</td>
<td>10,295,102</td>
<td>5,675,205</td>
</tr>
<tr>
<td>17</td>
<td>Adjustment related to unpaid vacation liability</td>
<td>697,345</td>
<td>669,153</td>
</tr>
<tr>
<td>17</td>
<td>Adjustment related to bonus accrual</td>
<td>1,371,295</td>
<td>406,446</td>
</tr>
<tr>
<td>15.a</td>
<td>Adjustment related to interest expense</td>
<td>-</td>
<td>3,428,000</td>
</tr>
<tr>
<td>23/25</td>
<td>Adjustment related to interest income</td>
<td>205,455,154</td>
<td>139,443,432</td>
</tr>
<tr>
<td>23/25</td>
<td>Adjustment related to dividend income</td>
<td>(8,887,903)</td>
<td>(7,387,753)</td>
</tr>
<tr>
<td></td>
<td>Unrealized foreign exchange (gains)/losses on financial borrowings</td>
<td>70,790,861</td>
<td>26,950,073</td>
</tr>
<tr>
<td></td>
<td>Adjustment related to fair value decrease/(increase) of derivative financial instruments</td>
<td>6,743,743</td>
<td>(63,517,168)</td>
</tr>
</tbody>
</table>

Changes in working capital

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term trade receivables</td>
<td>(24,029,242)</td>
<td>83,859,787</td>
</tr>
<tr>
<td>Inventories</td>
<td>3,193,961</td>
<td>(43,648,508)</td>
</tr>
<tr>
<td>Other receivables/current assets/prepaid expenses</td>
<td>(35,590,229)</td>
<td>(15,847,118)</td>
</tr>
<tr>
<td>Long-term trade receivables</td>
<td>700,600</td>
<td>2,951,058</td>
</tr>
<tr>
<td>Other long term receivables/prepaid expenses</td>
<td>(7,410,495)</td>
<td>14,779,207</td>
</tr>
<tr>
<td>Short term trade payables</td>
<td>57,671,473</td>
<td>5,322,163</td>
</tr>
<tr>
<td>Other short term payables/liabilities</td>
<td>30,794,784</td>
<td>2,781,368</td>
</tr>
</tbody>
</table>

Cash flows from operations

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>2,789,173</td>
<td>2,245,872</td>
</tr>
<tr>
<td>Premiums and bonuses paid</td>
<td>(5,428,000)</td>
<td>(4,500,000)</td>
</tr>
<tr>
<td>Retirement pay provision paid</td>
<td>(6,694,941)</td>
<td>(6,025,599)</td>
</tr>
<tr>
<td>Seniority provision paid</td>
<td>(365,930)</td>
<td>(314,606)</td>
</tr>
<tr>
<td>Unused vacation liability paid</td>
<td>(228,010)</td>
<td>(582,344)</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>(13,788,163)</td>
<td>(14,353,994)</td>
</tr>
</tbody>
</table>

B. CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(171,072,514)</td>
<td>(255,735,339)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>52,932,650</td>
<td>35,219,585</td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>(2,118,394)</td>
<td>(1,272,948)</td>
</tr>
<tr>
<td>Other cash inflows/(outflows)</td>
<td>-</td>
<td>(3,705,259)</td>
</tr>
</tbody>
</table>

C. CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from borrowings</td>
<td>1,278,243,332</td>
<td>1,591,775,455</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(1,202,273,875)</td>
<td>(1,633,107,590)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>-</td>
<td>(67,542,221)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(151,897,302)</td>
<td>(59,050,181)</td>
</tr>
<tr>
<td>Interests received</td>
<td>6,098,750</td>
<td>5,141,861</td>
</tr>
</tbody>
</table>

NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>(69,829,113)</td>
<td>(16,272,878)</td>
<td></td>
</tr>
</tbody>
</table>

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>201,636,639</td>
<td>204,303,367</td>
<td></td>
</tr>
</tbody>
</table>

Currency translation differences (net)

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>(79,477,093)</td>
<td>27,966,862</td>
<td></td>
</tr>
</tbody>
</table>

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

<table>
<thead>
<tr>
<th></th>
<th>Current Period</th>
<th>Prior Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>267,240,480</td>
<td>201,636,639</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
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 2018 - TL 200,000,000)

As of 31 December 2019 and 31 December 2018, the information related to the Company’s subsidiaries is as follows:

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

(*) 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 21 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 2019 is 635 (2018 - 660) and white collar employees (not a union member) is 513 (2018- 470) and the number of employees working in subsidiaries located abroad is 49 (2018 - 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.

2.3 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 settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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 2019, 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.

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, Cimsarom, 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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

**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.

**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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>8-50 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>4-50 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2-50 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>2-50 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4-14 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Lease period</td>
</tr>
</tbody>
</table>

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 be 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.

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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

Derecognition of tangible and intangible assets

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

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

Goodwill

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

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

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

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

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

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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Impairment on non-financial assets (continued)

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.

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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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-
sion 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.

Foreign currency transactions

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

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

2.6 Summary of Significant Accounting Policies (continued)

Foreign currency transactions (continued)

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

<table>
<thead>
<tr>
<th>Date</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollar ('USD')/TL</td>
<td>5.9402</td>
<td>5.2609</td>
</tr>
<tr>
<td>Euro ('EUR')/TL</td>
<td>6.6506</td>
<td>6.0280</td>
</tr>
<tr>
<td>Ruble ('RUB')/TL</td>
<td>0.0995</td>
<td>0.0753</td>
</tr>
<tr>
<td>Ron ('RON')/TL</td>
<td>1.3832</td>
<td>1.2866</td>
</tr>
<tr>
<td>Sterlin ('GBP')/TL</td>
<td>7.7765</td>
<td>6.6528</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Date</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/TL</td>
<td>5.6690</td>
<td>4.8256</td>
</tr>
<tr>
<td>EUR/TL</td>
<td>6.3459</td>
<td>5.6751</td>
</tr>
<tr>
<td>RUB/TL</td>
<td>0.0871</td>
<td>0.0760</td>
</tr>
<tr>
<td>RON/TL</td>
<td>1.3298</td>
<td>1.2125</td>
</tr>
<tr>
<td>GBP/TL</td>
<td>7.1988</td>
<td>6.3997</td>
</tr>
</tbody>
</table>

Borrowing costs

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

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

Provisions, contingent assets and liabilities

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

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

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

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

2.6 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

Deferred income 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.

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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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 activities - 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 customers,
- 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 quoted 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 financial 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 exchange 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 design of the product are considered as an intangible asset if the the project successfully 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 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and TFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

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

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
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

TFRS 16 Leases (continued)

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.

Transition to TFRS 16

The Group adopted TFRS 16 using the [modified retrospective approach]. The Company/the Group elected to apply
the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Company/the
Group therefore did not apply the standard to contracts that were not previously identified as containing a lease
applying TAS 17 and TFRIC 4.

As of January 1, 2019, the Group has applied the TFRS 16 “Leases” standard, which replaces TAS 17 “Leasing
Transactions”. The group did not rearrange comparable amounts for the previous year using the simplified transition
application. With this method, all right of use assets were measured from the amount of lease payables (corrected
according to the lease costs that were paid in advance or accrued).

During the first implementation, the Group recorded a lease obligation regarding its leases previously classified as
operational leasing in accordance with TAS 17. These liabilities are measured at the present value of the remaining
lease payments discounted using alternative borrowing interest rates as of January 1, 2019. As of January 1, 2019, the
weighted average of the alternative borrowing rates used by the Group is 5% (Euro).

The value of the asset usage right and obligation of leases previously classified as financial leasing is based on the
carrying value of the assets before the transition.

January 1, 2019

<table>
<thead>
<tr>
<th>Operational leasing commitments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Short-term leases</td>
<td>-</td>
</tr>
<tr>
<td>- Low value leases</td>
<td>-</td>
</tr>
<tr>
<td>- Contracts evaluated under TFRS 16</td>
<td>109,534,199</td>
</tr>
</tbody>
</table>

Total Leasing Liability: 109,534,199

Alternative borrowing rate and discounted lease liability (in TL): 52,802,238

| - Short-term lease liability                                         | 3,842,444 |
| - Long-term lease liability                                         | 48,959,794 |
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

TFRS 16 Leases (continued)

The details regarding the right of use the assets that are recognized are as follows:

<table>
<thead>
<tr>
<th>Right of Use</th>
<th>January 1, 2019</th>
<th>Amortized Cost</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>43,160,749</td>
<td>(6,252,235)</td>
<td>36,908,514</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>7,008,935</td>
<td>(6,169,160)</td>
<td>839,775</td>
</tr>
<tr>
<td>Others</td>
<td>2,986,898</td>
<td>(353,891)</td>
<td>2,633,007</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53,156,582</strong></td>
<td><strong>(12,775,286)</strong></td>
<td><strong>40,381,296</strong></td>
</tr>
</tbody>
</table>

Amortization expense of TL 7,787,726 belonging to the interim account period of 31 December 2019 of the right of use assets has been included in the cost of the goods sold and TL 4,987,560 of it is included in the general administrative expenses.

The following are the new accounting policies on the Group’s implementation of TFRS 16:

Group - as a leaseholder

At the beginning of a contract, the Group evaluates whether the contract has lease nature or not. If the contract delegates the right to control the use of the asset defined for a price for a certain period of time, this contract includes in lease or lease nature.

The Group considers the following conditions when evaluating whether a contract delegates its right to control the use of a defined asset for a specified period of time:

a) The contract contains the identified asset; an asset is usually identified by expressing it explicitly or implicitly in the contract.

b) A functional part of the asset is physically separate or represents nearly all of the asset’s capacity. If the supplier has a fundamental right to substitute the asset and provides economic benefit from it, the asset is not defined.

c) The right to receive nearly all of the economic benefits from the use of the identified asset.

d) The right to manage the use of the identified asset. The Group considers that the asset is entitled to use if decisions regarding how and why the asset is used are predetermined. The Group has the right to manage the use of the asset in the following situations:

i. The Group has the right to operate the asset during its lifetime (or direct others to operate the asset in its own way) and the supplier has no right to change these operating instructions or,

ii. The Group has designed the asset (or specific features of the asset) to predetermine how and why the asset will be used through its lifetime.

The Group reflects a right of use and a lease liability in the financial statements at the date when the lease actually begins.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

Transition to TFRS 16 (continued)

Right of use asset

The right to use asset is first accounted for using the cost method and includes:

a) The first measurement amount of the lease liability,

b) The amount obtained by deducting all lease incentives received from all lease payments made before or before the lease actually started.

c) All initial direct costs incurred by the group and the use of the Group cost method, the existence of the right to use:

   a. accumulated depreciation and accumulated impairment losses are deducted and

   b. measures over the corrected cost of the lease liability.

The Group applies depreciation provisions in IAS 16 Property, Plant and Equipment while depreciating its asset. In the event that the supplier transfers ownership of the asset to the Group at the end of the lease term or if the cost of the right of use asset indicates that the Group will use a purchase option, the Group will depreciate the asset until the end of the useful life of the asset. In other cases, the Group depreciates its right of use asset from the shorter of the useful life or lease term of the asset, starting from the date the lease actually started. The Group applies TMS 36 Impairment on Assets to determine whether the right of use asset has been impaired for accounting and for any impairment loss identified.

Lease liability

The Company/Group measures the lease liability based on the present value of the lease payments, which were not paid on the date the lease actually started. Rent payments are discounted by using the implicit interest rate of the lease if this rate can be easily determined. If this rate cannot be determined easily, the Company uses the alternative borrowing interest rate of the Group.

The lease payments included in the measurement of the lease liability at the date of the lease actually consist of the following payments to be made for the right of use of the underlying asset during the lease period and not paid at the date when the lease actually started:

a) The amount obtained by deducting all kinds of rental incentive receivables from fixed payments,

b) Variable lease payments based on an index or rate, using an index or rate at the date when the first measurement was actually started,

c) the price of use of this option if the Company is reasonably sure that will use the purchase option; and

d) in case the rental period shows that the Group will use an option to terminate the lease, penalties for termination of the lease.
2.8 The new and amended standards and interpretations (continued)

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

Transition to TFRS 16 (continued)

After the lease actually starts, the Group measures the lease liability as follows:

a) increases in the book value to reflect the interest on the lease obligation,

b) reduces the book value to reflect the rent payments made; and

c) re-measures the book value to reflect revaluations and restructurings, or to reflect the revised essence of fixed lease payments.

The interest on the lease obligation for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liability. The periodic interest rate is the implied interest rate on the lease if it can be determined easily. If this rate cannot be determined easily, the Group uses the alternative borrowing interest rate of the Group. After the lease actually started, the Group re-measures the lease obligation to reflect changes in lease payments. The Company reflects the re-measurement amount of the lease liability to its financial statements as an adjustment of the right of use asset.

The Group re-measures the lease liability by reducing the revised lease payments at a revised discount rate if any of the following conditions occur:

a) There is a change in the lease period. The Group determines the revised lease payments based on the revised lease period.

b) There is a change in the evaluation regarding the option for the purchase of the underlying asset. The Company determines the revised lease payments to reflect the change in amounts to be paid under the purchase option.

If the Group can easily determine the revised discount rate and the implicit interest rate in the lease for the remainder of the lease period, this rate is. In case it cannot be determined easily, the Company determines the alternative borrowing interest rate on the date of re-evaluation.

The Group re-measures the lease liability by reducing the revised lease payments if any of the following conditions occur:

a) Changes in amounts expected to be paid under a residual value commitment. The Group determines the revised lease payments to reflect the change in the amounts expected to be paid within the context of the residual value commitment.

b) A change in these payments as a result of an index or rate used in determining future lease payments. The Group re-measures the lease liability only when there is a change in its cash flows to reflect these revised lease payments.

The Group determines the revised lease payments related to the remaining lease term according to the revised contract payments. The group then uses an unmodified discount rate.

The Group books a separate lease in accounting if both of the following conditions are provided:

a) restructuring extends the scope of the lease by adding the right of use one or more underlying assets; and

b) the rental price increases as much as appropriate adjustments to the price alone in order to reflect the price of the increase alone and the terms of the relevant contract.

If the short-term lease contracts with a duration is 12 months and less, lease contracts are determined as exception by the Group and also lease payments for these contracts continue to be recorded as expense in the current period.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

Transition to TFRS 16 (continued)

The Company - as lessor

All of the Group’s leases as the lessor are operational leases. In operational leases, the leased assets are classified under investment properties, tangible assets or other current assets in the consolidated balance sheet and the lease income obtained is reflected in the consolidated income statement during the lease period. Rent income is reflected to the consolidated income statement by linear method during the lease period.

The Group distributes the price included in the contract by applying TFRS 15, “Revenue from contracts with customers”, for a contract that contains one or more additional lease items together with a lease component.

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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments 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)

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

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Negative Indemnity Early Payment Features (TFRS 9 Changes)

TFRS 9 issued minor changes in Financial Instruments so that some early payable financial assets can be measured at amortized cost.

The entity applying TFRS 9 measures the early payable financial asset as the fair value change reflected as profit or loss. In case certain conditions are provided by applying the changes, businesses can measure early repayable financial assets with negative compensation at their amortized cost.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments 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 interim 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.

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.
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted for businesses applying TFRS 9 Financial Instruments and TFRS 15 Customer Contracts on or before this date. This standard will have no impact on the financial position and performance of the Group.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 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 TFRS 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 TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 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 to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

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

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)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.
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, 2019, 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.

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:

<table>
<thead>
<tr>
<th>Investments</th>
<th>Country</th>
<th>Main operating activity</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Effective ownership (%)</td>
<td>Carrying net book value</td>
</tr>
<tr>
<td>Exsa</td>
<td>Turkey</td>
<td>Investment property and financial instruments</td>
<td>32.9</td>
<td>310,993,227</td>
</tr>
</tbody>
</table>

|             |         |                         | **310,993,227** | **270,207,613** |
### 3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>1,062,136,001</td>
<td>824,711,204</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>(116,149,000)</td>
<td>(2,786,907)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>945,987,001</td>
<td>821,924,297</td>
</tr>
<tr>
<td><strong>Group's share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>310,993,227</td>
<td>270,207,613</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>347,447,118</td>
<td>238,019,203</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(261,034,000)</td>
<td>(120,303,238)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>86,413,118</td>
<td>117,715,965</td>
</tr>
<tr>
<td><strong>Group's share in net profit</strong></td>
<td>28,408,313</td>
<td>38,699,123</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Non-controlling interest %</th>
<th>Gain/losses attributable to non-controlling interests</th>
<th>Accumulated non-controlling interests</th>
<th>Dividend paid to non-controlling interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afyon Çimento Sanayi T.A.Ş.</td>
<td>49</td>
<td>(29,988,151)</td>
<td>(89,113,188)</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Non-controlling interest %</th>
<th>Gain/losses attributable to non-controlling interests</th>
<th>Accumulated non-controlling interests</th>
<th>Dividend paid to non-controlling interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afyon Çimento Sanayi T.A.Ş.</td>
<td>49</td>
<td>(1,014,142)</td>
<td>119,216,748</td>
<td>-</td>
</tr>
</tbody>
</table>
3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

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**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>5,704,011</td>
<td>18,748,861</td>
</tr>
<tr>
<td>Other current assets</td>
<td>53,726,073</td>
<td>67,757,038</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>565,227,155</td>
<td>571,056,758</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>624,657,239</strong></td>
<td><strong>657,562,657</strong></td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>(37,571,390)</td>
<td>285,958,264</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>132,138,336</td>
<td>20,221,109</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td></td>
<td>117,901,128</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>179,384,949</td>
<td>(10,666,751)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>273,951,895</strong></td>
<td><strong>413,413,750</strong></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>350,705,344</strong></td>
<td><strong>244,148,907</strong></td>
</tr>
</tbody>
</table>

**Condensed income statement information**

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>163,332,069</td>
<td>175,199,174</td>
</tr>
<tr>
<td>Gross profit</td>
<td>(6,598,891)</td>
<td>32,425,008</td>
</tr>
<tr>
<td>Operating profit/(loss)</td>
<td>(16,069,295)</td>
<td>29,792,652</td>
</tr>
<tr>
<td>Net financial income/(expense)</td>
<td>(76,059,578)</td>
<td>(67,748,486)</td>
</tr>
<tr>
<td>Profit/(loss) before tax</td>
<td>(80,911,271)</td>
<td>(14,311,966)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td><strong>(61,002,977)</strong></td>
<td><strong>2,069,677</strong></td>
</tr>
</tbody>
</table>

**Condensed cash flow information**

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>22,451,166</td>
<td>80,575,588</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>10,609,068</td>
<td>26,253,053</td>
</tr>
<tr>
<td>Cash flows from financing activities (excluding dividend)</td>
<td>(46,105,080)</td>
<td>(153,085,904)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td><strong>(13,044,846)</strong></td>
<td><strong>(46,257,263)</strong></td>
</tr>
</tbody>
</table>
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 2019 and 31 December 2018, 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 2019 and 31 December 2018.

<table>
<thead>
<tr>
<th>1 January-31 December 2019</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,873,105,526</td>
<td>192,168,157</td>
<td>-</td>
<td>(339,078,046)</td>
<td>1,726,195,637</td>
</tr>
<tr>
<td>Cost of sales (-)</td>
<td>(1,625,567,772)</td>
<td>(135,547,863)</td>
<td>-</td>
<td>339,078,046</td>
<td>(1,422,037,589)</td>
</tr>
<tr>
<td>Gross profit/(loss)</td>
<td>247,537,754</td>
<td>56,620,294</td>
<td>-</td>
<td>-</td>
<td>304,158,048</td>
</tr>
</tbody>
</table>

General administrative, marketing selling distribution expenses (-) (114,160,618) - (55,160,223) - (169,320,841)
Other operating income/ (expenses) (-), net (11,724,237) - 47,486,943 - 35,762,706
Research and development expenses (-) (6,445,651) - - - (6,445,651)

Operating profit/(loss) 115,207,248 56,620,294 (7,673,280) - 164,154,262

<table>
<thead>
<tr>
<th>1 January-31 December 2018</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,449,678,553</td>
<td>315,176,385</td>
<td>-</td>
<td>(64,896,883)</td>
<td>1,699,958,055</td>
</tr>
<tr>
<td>Cost of sales (-)</td>
<td>(1,035,472,144)</td>
<td>(323,402,180)</td>
<td>-</td>
<td>64,896,883</td>
<td>(1,293,977,441)</td>
</tr>
<tr>
<td>Gross profit/(loss)</td>
<td>414,206,409</td>
<td>(8,225,795)</td>
<td>-</td>
<td>-</td>
<td>405,980,614</td>
</tr>
</tbody>
</table>

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 9,123,158 - 39,476,350
Research and development expenses (-) (3,851,468) - - - (3,851,468)

Operating profit/(loss) 357,994,121 (7,981,328) (31,251,792) - 318,761,001
4. SEGMENT REPORTING (continued)

### 1 January - 31 December 2019

<table>
<thead>
<tr>
<th>Other segment information</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible assets</td>
<td>170,646,716</td>
<td>425,798</td>
<td>-</td>
<td>-</td>
<td>171,072,514</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,118,394</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,118,394</td>
</tr>
<tr>
<td><strong>Total investment expenses</strong></td>
<td><strong>172,765,110</strong></td>
<td><strong>425,798</strong></td>
<td>-</td>
<td>-</td>
<td><strong>173,190,908</strong></td>
</tr>
<tr>
<td>Amortization expense</td>
<td>(126,889,371)</td>
<td>(31,349)</td>
<td>-</td>
<td>-</td>
<td>(126,920,720)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Redemption</td>
<td>(2,859,447)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,859,447)</td>
</tr>
</tbody>
</table>

### 1 January - 31 December 2018

<table>
<thead>
<tr>
<th>Other segment information</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible assets</td>
<td>243,894,304</td>
<td>11,841,035</td>
<td>-</td>
<td>-</td>
<td>255,735,339</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,272,948</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,272,948</td>
</tr>
<tr>
<td><strong>Total investment expenses</strong></td>
<td><strong>245,167,252</strong></td>
<td><strong>11,841,035</strong></td>
<td>-</td>
<td>-</td>
<td><strong>257,008,287</strong></td>
</tr>
<tr>
<td>Amortization expense</td>
<td>(105,858,602)</td>
<td>(654,174)</td>
<td>-</td>
<td>-</td>
<td>(106,512,776)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Redemption</td>
<td>(2,503,729)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,503,729)</td>
</tr>
</tbody>
</table>

### 31 December 2019

<table>
<thead>
<tr>
<th>Assets and liabilities</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>3,187,004,892</td>
<td>163,413,209</td>
<td>-</td>
<td>-</td>
<td>3,350,418,101</td>
</tr>
<tr>
<td>Available for sale financial investments</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Investments accounted by equity method</td>
<td>-</td>
<td>-</td>
<td>310,993,227</td>
<td>-</td>
<td>310,993,227</td>
</tr>
<tr>
<td>Undistributed assets</td>
<td>-</td>
<td>-</td>
<td>113,280,965</td>
<td>-</td>
<td>113,280,965</td>
</tr>
<tr>
<td><strong>Total asset</strong></td>
<td><strong>3,187,004,892</strong></td>
<td><strong>163,413,209</strong></td>
<td><strong>424,338,670</strong></td>
<td>-</td>
<td><strong>3,774,756,771</strong></td>
</tr>
</tbody>
</table>

| Segment liabilities    | 2,177,028,696 | 111,964,835      | -             | -           | 2,288,993,531 |
| Undistributed liabilities | -     | -                  | 1,485,763,240 | -           | 1,485,763,240 |
| **Total liabilities**  | **2,177,028,696** | **111,964,835**  | **1,485,763,240** | - | **3,774,756,771** |
4. SEGMENT REPORTING (continued)

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Cement</th>
<th>Ready-mix concrete</th>
<th>Undistributed</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets and liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Segment assets</td>
<td>2,952,217,344</td>
<td>154,541,659</td>
<td>-</td>
<td>-</td>
<td>3,106,759,003</td>
</tr>
<tr>
<td>Available for sale financial investments</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Investments accounted by equity method</td>
<td>-</td>
<td>-</td>
<td>270,207,613</td>
<td>-</td>
<td>270,207,613</td>
</tr>
<tr>
<td>Undistributed assets</td>
<td>-</td>
<td>-</td>
<td>106,958,262</td>
<td>-</td>
<td>106,958,262</td>
</tr>
<tr>
<td><strong>Total asset</strong></td>
<td>2,952,217,344</td>
<td>154,541,659</td>
<td>377,230,353</td>
<td>-</td>
<td>3,483,989,356</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>2,011,494,085</td>
<td>34,551,264</td>
<td>-</td>
<td>-</td>
<td>2,046,045,349</td>
</tr>
<tr>
<td>Undistributed liabilities</td>
<td>-</td>
<td>-</td>
<td>1,437,944,007</td>
<td>-</td>
<td>1,437,944,007</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,011,494,085</td>
<td>34,551,264</td>
<td>1,437,944,007</td>
<td>-</td>
<td>3,483,989,356</td>
</tr>
</tbody>
</table>

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

5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2019 and 31 December 2018 is as follows:

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>18,286</td>
</tr>
<tr>
<td>Cash at banks</td>
<td>267,332,257</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>31,975,327</td>
</tr>
<tr>
<td>Time deposits with maturity of less than 3 months</td>
<td>235,356,930</td>
</tr>
<tr>
<td>Checks in collection (*)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>267,350,543</td>
</tr>
<tr>
<td>Blocked deposits (-)</td>
<td>(110,063)</td>
</tr>
<tr>
<td>Cash and cash equivalents in consolidated cash flow statement</td>
<td>267,240,480</td>
</tr>
</tbody>
</table>

(*) The maturities are due but not collected as of December 31, 2019.
5. CASH AND CASH EQUIVALENTS (continued)

The detail of bank deposits is stated below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkish Liras</td>
<td>101,509,303</td>
<td>94,529,770</td>
</tr>
<tr>
<td>Euro</td>
<td>111,313,872</td>
<td>39,860,033</td>
</tr>
<tr>
<td>US Dollar</td>
<td>48,345,221</td>
<td>52,688,506</td>
</tr>
<tr>
<td>GBP</td>
<td>5,110,390</td>
<td>2,116,863</td>
</tr>
<tr>
<td>Other</td>
<td>1,053,471</td>
<td>1,455,142</td>
</tr>
<tr>
<td></td>
<td><strong>267,332,257</strong></td>
<td><strong>190,650,314</strong></td>
</tr>
</tbody>
</table>

Time deposits as of 31 December 2019 and 31 December 2018 are denominated in TL, USD, and EUR with the maturity of less than three months. As of 31 December 2019, effective weighted average interest rate on time deposits is 17.13% for TL, 1.10% for USD, and 0.05% for EUR (31 December 2018 TL: 22.33%). The blocked deposit amount is TL 110,063 as of December 31, 2019 (The blocked deposit amount is TL 430,708 as of December 31, 2018).

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>405,698,813</td>
<td>347,614,616</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>70,312,656</td>
<td>106,381,838</td>
</tr>
<tr>
<td>Due from related parties (Note 27)</td>
<td>2,032,726</td>
<td>18,497</td>
</tr>
<tr>
<td>Minus: Expected credit losses provision</td>
<td>(1,024,789)</td>
<td>-</td>
</tr>
<tr>
<td>Allowance for doubtful receivables (-)</td>
<td>(16,043,739)</td>
<td>(18,698,305)</td>
</tr>
<tr>
<td></td>
<td><strong>460,975,667</strong></td>
<td><strong>435,316,646</strong></td>
</tr>
</tbody>
</table>

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 82 days (31 December 2018: 96 days). Effective interest rates used when determining the amortized cost are 16.86% for TL, 4.53% for USD and 2.14% for EUR (31 December 2018: TL: 19.03%, USD: 4.79%, EUR: 2.47%).
6. TRADE RECEIVABLES AND PAYABLES (continued)

a. Trade Receivables (continued)

The movement of the provision for doubtful receivables for the periods ended 31 December 2019 and 31 December 2018 is as follows:

<table>
<thead>
<tr>
<th>Movements of allowance for doubtful receivables</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>18,698,305</td>
<td>10,764,929</td>
</tr>
<tr>
<td>Provisions during the period (Note 22)</td>
<td>2,940,466</td>
<td>7,045,950</td>
</tr>
<tr>
<td>Reversal of the provision (-) (Note 22)</td>
<td>(5,980,993)</td>
<td>(609,209)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>385,961</td>
<td>1,496,635</td>
</tr>
<tr>
<td>Closing balance</td>
<td><strong>16,043,739</strong></td>
<td><strong>18,698,305</strong></td>
</tr>
</tbody>
</table>

The long term trade receivables for the periods ended 31 December 2019 and 31 December 2018 is as follows:

<table>
<thead>
<tr>
<th>Long term trade receivables</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>700,600</td>
</tr>
</tbody>
</table>

b. Trade payables

<table>
<thead>
<tr>
<th>Short-term trade payables</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>289,934,400</td>
<td>237,493,781</td>
</tr>
<tr>
<td>Trade payables to related parties (Note 27)</td>
<td>63,805,500</td>
<td>58,574,646</td>
</tr>
<tr>
<td></td>
<td><strong>353,739,900</strong></td>
<td><strong>296,068,427</strong></td>
</tr>
</tbody>
</table>

The average payment period of trade payables is 82 days (31 December 2018: 74 days). Effective interest rates used when determining the amortized cost are 16.86% for TL, 4.53% for USD and 2.14% for EUR (31 December 2018 - TL: 19.03%, USD: 4.79%, EUR 2.47%).
7. FINANCIAL BORROWINGS

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

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>642,788,986</td>
<td>788,523,502</td>
</tr>
<tr>
<td>Current portion of long-term bank loans</td>
<td>205,671,050</td>
<td>240,587,041</td>
</tr>
<tr>
<td>Short-term financial liabilities (*)</td>
<td>4,343,248</td>
<td>-</td>
</tr>
<tr>
<td>Short-term bonds issued</td>
<td>27,552,061</td>
<td>-</td>
</tr>
<tr>
<td>Short-term bonds issued</td>
<td>880,355,345</td>
<td>1,029,110,543</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>653,925,961</td>
<td>451,361,209</td>
</tr>
<tr>
<td>Long-term financial liabilities (*)</td>
<td>44,632,252</td>
<td>-</td>
</tr>
<tr>
<td>Long-term bonds issued</td>
<td>122,258,299</td>
<td>-</td>
</tr>
<tr>
<td>Long-term bonds issued</td>
<td>820,816,512</td>
<td>451,361,209</td>
</tr>
<tr>
<td>Total borrowings excluding TFRS 16</td>
<td>1,652,196,357</td>
<td>1,480,471,752</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>1,701,171,857</td>
<td>1,480,471,752</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Secured/Unsecured</th>
<th>Interest type</th>
<th>Currency</th>
<th>Weighted average interest rate (%)</th>
<th>Original Balance</th>
<th>Short-term</th>
<th>Long-term</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured</td>
<td>Floating (**)</td>
<td>EUR</td>
<td>1.68%</td>
<td>49,085,195</td>
<td>188,511,366</td>
<td>137,934,630</td>
<td>326,445,996</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>EUR</td>
<td>2.62%</td>
<td>19,916,906</td>
<td>112,137,535</td>
<td>20,321,842</td>
<td>132,459,377</td>
</tr>
<tr>
<td>Secured</td>
<td>Fixed</td>
<td>USD</td>
<td>4.50%</td>
<td>15,493,798</td>
<td>92,036,259</td>
<td>-</td>
<td>92,036,259</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>USD</td>
<td>3.01%</td>
<td>52,450,000</td>
<td>73,955,490</td>
<td>237,608,000</td>
<td>311,563,490</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>TL</td>
<td>11.37%</td>
<td>432,420,649</td>
<td>264,473,868</td>
<td>167,946,781</td>
<td>432,420,649</td>
</tr>
<tr>
<td>Secured</td>
<td>Fixed</td>
<td>TL</td>
<td>13.38%</td>
<td>357,270,585</td>
<td>144,897,579</td>
<td>212,373,007</td>
<td>357,270,586</td>
</tr>
</tbody>
</table>

876,012,097  776,184,260  1,652,196,357

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

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

<table>
<thead>
<tr>
<th>Secured/Unsecured</th>
<th>Interest type</th>
<th>Currency type</th>
<th>Weighted average interest rate (%)</th>
<th>Original Balance</th>
<th>Short-term</th>
<th>Long-term</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured</td>
<td>Floating(*)</td>
<td>EUR</td>
<td>2.44%</td>
<td>66,465,676</td>
<td>229,462,700</td>
<td>171,192,396</td>
<td>400,655,096</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>EUR</td>
<td>2.31%</td>
<td>18,256,045</td>
<td>39,396,236</td>
<td>70,651,202</td>
<td>110,047,438</td>
</tr>
<tr>
<td>Secured</td>
<td>Fixed</td>
<td>USD</td>
<td>4.99%</td>
<td>21,314,445</td>
<td>112,133,164</td>
<td>-</td>
<td>112,133,164</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>USD</td>
<td>3.65%</td>
<td>19,451,747</td>
<td>102,333,694</td>
<td>-</td>
<td>102,333,694</td>
</tr>
<tr>
<td>Unsecured</td>
<td>Fixed</td>
<td>TL</td>
<td>16.56%</td>
<td>506,496,489</td>
<td>388,595,361</td>
<td>117,901,128</td>
<td>506,496,489</td>
</tr>
<tr>
<td>Secured</td>
<td>Fixed</td>
<td>TL</td>
<td>15.35%</td>
<td>248,805,866</td>
<td>157,189,388</td>
<td>91,616,483</td>
<td>248,805,871</td>
</tr>
</tbody>
</table>

1,029,110,543 451,361,209 1,480,471,752

The repayment schedule of the borrowings as of 31 December 2019 and 31 December 2018 is as follows:

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be paid within 1 year</td>
<td>876,012,097</td>
</tr>
<tr>
<td>To be paid between 1-2 years</td>
<td>613,879,297</td>
</tr>
<tr>
<td>To be paid between 2-3 years</td>
<td>162,304,963</td>
</tr>
<tr>
<td>To be paid between 3-4 years</td>
<td>-</td>
</tr>
<tr>
<td>To be paid between 4-5 years</td>
<td>-</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>-</td>
</tr>
</tbody>
</table>

1,652,196,357 1,480,471,752

Our company issued bonds with a nominal value of 150,000,000 TL, 728 days term, variable interest rate and 3 months term, indexed to the Turkish Lira Reference Interest Rate. The value date of the issue is 21 March 2019 and the redemption date is 18 March 2021. The 4th coupon payment interest of the bond to be made on March 19, 2020 was determined as 2.9971% (12.021% annually). In order to protect itself from variable interest rate risk, the IRS (Interest Rate Swap) was made with Akbank and the interest rate was fixed.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

<table>
<thead>
<tr>
<th>Short-term Other Receivables</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other miscellaneous receivables</td>
<td>2,788,362</td>
<td>897,747</td>
</tr>
<tr>
<td>Receivables from insurance claims</td>
<td>1,133,545</td>
<td>600,526</td>
</tr>
<tr>
<td>Due from personnel</td>
<td>575,126</td>
<td>600,597</td>
</tr>
<tr>
<td>Provision for doubtful other receivables (−)</td>
<td>(753,646)</td>
<td>(753,646)</td>
</tr>
</tbody>
</table>

3,743,387 1,345,224
### 8. OTHER RECEIVABLES AND OTHER PAYABLES (continued)

#### a. Other Receivables (continued)

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Other Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables from related parties (Note 28)</td>
<td>228,724</td>
<td>248,597</td>
</tr>
<tr>
<td></td>
<td><strong>228,724</strong></td>
<td><strong>248,597</strong></td>
</tr>
<tr>
<td>Long-term Other Receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and guarantees given</td>
<td>4,009,281</td>
<td>3,682,965</td>
</tr>
<tr>
<td></td>
<td><strong>4,009,281</strong></td>
<td><strong>3,682,965</strong></td>
</tr>
</tbody>
</table>

### b. ther payables

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Other Payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and guarantees received</td>
<td>8,535,340</td>
<td>8,690,040</td>
</tr>
<tr>
<td>Taxes and funds payable</td>
<td>14,481,816</td>
<td>3,003,942</td>
</tr>
<tr>
<td>Other payables to related parties (Note 28)</td>
<td>3,537,576</td>
<td>1,572,923</td>
</tr>
<tr>
<td></td>
<td><strong>26,554,732</strong></td>
<td><strong>13,266,905</strong></td>
</tr>
</tbody>
</table>

### 9. INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>95,967,096</td>
<td>76,777,716</td>
</tr>
<tr>
<td>Work-in progress</td>
<td>41,382,133</td>
<td>68,653,471</td>
</tr>
<tr>
<td>Finished goods</td>
<td>38,590,325</td>
<td>38,740,746</td>
</tr>
<tr>
<td>Other inventories</td>
<td>15,164,281</td>
<td>10,125,863</td>
</tr>
<tr>
<td>Inventory impairment provision (-)</td>
<td>(6,329,931)</td>
<td>(4,042,673)</td>
</tr>
<tr>
<td></td>
<td><strong>184,773,904</strong></td>
<td><strong>190,255,123</strong></td>
</tr>
</tbody>
</table>
9. INVENTORIES (continued)

Inventory impairment provision movement

<table>
<thead>
<tr>
<th>Inventory impairment provision movement</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>4,042,673</td>
<td>3,874,368</td>
</tr>
<tr>
<td>Provisions during the period (Note 22)</td>
<td>2,211,564</td>
<td>168,305</td>
</tr>
<tr>
<td>Foreign currency translation difference</td>
<td>75,694</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>6,329,931</strong></td>
<td><strong>4,042,673</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Short-term Provision Expenses</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expenses</td>
<td>8,566,304</td>
<td>4,525,614</td>
</tr>
<tr>
<td>Advances given to suppliers</td>
<td>3,588,390</td>
<td>5,013,739</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,154,694</strong></td>
<td><strong>9,539,353</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-term Provision Expenses</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances given for the purchase of fixed assets</td>
<td>906,118</td>
<td>844,373</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>676,334</td>
<td>68,598</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,582,452</strong></td>
<td><strong>912,971</strong></td>
</tr>
</tbody>
</table>

b. Deferred income

<table>
<thead>
<tr>
<th>Short-term Deferred Income</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced received</td>
<td>16,271,831</td>
<td>12,804,558</td>
</tr>
<tr>
<td>Deferred income</td>
<td>7,305,292</td>
<td>2,585,018</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23,577,123</strong></td>
<td><strong>15,389,576</strong></td>
</tr>
</tbody>
</table>
11. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>Cost value</th>
<th>Land</th>
<th>Land Improvements</th>
<th>Buildings</th>
<th>Machinery and Equipment</th>
<th>Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2019</td>
<td>98,929,263</td>
<td>120,894,858</td>
<td>600,172,935</td>
<td>1,952,727,914</td>
<td>86,828,572</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>8,234,245</td>
<td>348,171</td>
<td>10,647,414</td>
<td>29,246,141</td>
<td>607,412</td>
</tr>
<tr>
<td>Additions</td>
<td>6,251</td>
<td>1,236,150</td>
<td>104,474</td>
<td>10,709,636</td>
<td>774,840</td>
</tr>
<tr>
<td>Disposals</td>
<td>(10,620,824)</td>
<td>(2,167,300)</td>
<td>(86,231)</td>
<td>(3,267,716)</td>
<td>(9,416,601)</td>
</tr>
<tr>
<td>Transfers from construction in progress</td>
<td>-</td>
<td>93,194,872</td>
<td>99,671,055</td>
<td>220,748,886</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2019</strong></td>
<td>96,548,935</td>
<td>213,506,751</td>
<td>710,509,647</td>
<td>2,210,164,861</td>
<td>78,794,223</td>
</tr>
</tbody>
</table>

**Accumulated depreciation**

<table>
<thead>
<tr>
<th>Opening balance as of 1 January 2019</th>
<th>-</th>
<th>(53,485,924)</th>
<th>(149,263,659)</th>
<th>(857,915,245)</th>
<th>(64,798,998)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency translation difference</td>
<td>-</td>
<td>(110,808)</td>
<td>(5,465,237)</td>
<td>(11,105,223)</td>
<td>390,224</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>-</td>
<td>(7,727,046)</td>
<td>(15,177,100)</td>
<td>(96,642,114)</td>
<td>(4,444,313)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>1,557,722</td>
<td>61,049</td>
<td>2,730,735</td>
<td>8,312,033</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2019</strong></td>
<td>-</td>
<td>(59,766,056)</td>
<td>(169,844,947)</td>
<td>(962,931,847)</td>
<td>(60,541,054)</td>
</tr>
</tbody>
</table>

**Net book value as of 31 December 2019**

| 96,548,935 | 153,740,695 | 540,664,700 | 1,247,233,014 | 18,253,169 |

There is mortgage or pledge over assets of the Group amounting to TL 12,056,208 as of December 31, 2019 (December 31, 2018 - TL 28,288,198). As of 31 December 2019, the capitalized financial expense on the investments in progress is 9,892,655 TL (31 December 2018: 10,000,775 TL).
## Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>Furniture and Fixture</th>
<th>Other Tangible Assets</th>
<th>Leasehold Improvements</th>
<th>Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2019</td>
<td>98,929,263</td>
<td>120,894,858</td>
<td>600,172,935</td>
<td>1,952,727,914</td>
<td>3,122,326,772</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>8,234,245</td>
<td>10,647,414</td>
<td>29,246,141</td>
<td>457,412</td>
<td>452,449</td>
</tr>
<tr>
<td>Additions</td>
<td>6,251</td>
<td>1,236,150</td>
<td>104,474</td>
<td>10,709,636</td>
<td>147,957,567</td>
</tr>
<tr>
<td>Disposals</td>
<td>(10,620,824)</td>
<td>(2,167,300)</td>
<td>(86,231)</td>
<td>(3,267,716)</td>
<td>(26,007,857)</td>
</tr>
<tr>
<td>Transfers from construction in progress</td>
<td>-</td>
<td>93,194,872</td>
<td>99,671,055</td>
<td>220,748,886</td>
<td>(418,105,135)</td>
</tr>
<tr>
<td>Closing balance as of 31 December 2019</td>
<td>96,548,935</td>
<td>213,506,751</td>
<td>710,509,647</td>
<td>2,210,164,861</td>
<td>3,360,848,810</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(11,495,559)</td>
<td>(895,913)</td>
<td>(2,232,806)</td>
<td>-</td>
<td>(1,140,088,104)</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>(308,397)</td>
<td>(118,898)</td>
<td>-</td>
<td>(16,718,339)</td>
<td>(126,920,720)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,350,337)</td>
<td>(2,655)</td>
<td>(577,155)</td>
<td>-</td>
<td>13,020,777</td>
</tr>
<tr>
<td>Closing balance as of 31 December 2019</td>
<td>(13,804,055)</td>
<td>(1,017,466)</td>
<td>(2,800,961)</td>
<td>-</td>
<td>(1,270,706,386)</td>
</tr>
<tr>
<td>Net book value as of 31 December 2019</td>
<td>12,736,559</td>
<td>421,193</td>
<td>6,190,252</td>
<td>14,353,907</td>
<td>2,090,142,424</td>
</tr>
</tbody>
</table>

There is mortgage or pledge over assets of the Group amounting to TL 12,056,208 as of December 31, 2019 (December 31, 2018 - TL 28,288,198). As of 31 December 2019, the capitalized financial expense on the investments in progress is 9,892,655 TL (31 December 2018: 10,000,775 TL).
### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

<table>
<thead>
<tr>
<th></th>
<th>Cost value</th>
<th>Land Improvements</th>
<th>Buildings</th>
<th>Machinery and Equipment</th>
<th>Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance as of 1 January 2018</strong></td>
<td></td>
<td>103,442,685</td>
<td>115,910,173</td>
<td>477,591,564</td>
<td>1,648,128,161</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td></td>
<td>1,000,657</td>
<td>880,865</td>
<td>16,949,367</td>
<td>30,096,217</td>
</tr>
<tr>
<td>Effect of facility purchased</td>
<td></td>
<td>830,259</td>
<td>-</td>
<td>2,205,000</td>
<td>670,000</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td>422,056</td>
<td>60,076</td>
<td>11,426,617</td>
<td>3,503,825</td>
</tr>
<tr>
<td>Disposals</td>
<td>(6,485,688)</td>
<td>(57,267)</td>
<td>-</td>
<td>(201,556)</td>
<td>(2,865,729)</td>
</tr>
<tr>
<td>Transfers from construction in progress (1)</td>
<td></td>
<td>-</td>
<td>4,101,011</td>
<td>92,000,387</td>
<td>270,531,267</td>
</tr>
<tr>
<td>Transfers to assets hold for sale</td>
<td>(280,706)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2018</strong></td>
<td>99,209,969</td>
<td>120,894,858</td>
<td>600,172,935</td>
<td>1,952,727,914</td>
<td>86,828,572</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Accumulated depreciation</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening balance as of 1 January 2018</strong></td>
<td></td>
<td>-</td>
<td>(46,275,590)</td>
<td>(128,112,282)</td>
<td>(761,316,254)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td></td>
<td>-</td>
<td>(484,119)</td>
<td>(8,022,441)</td>
<td>(19,084,801)</td>
</tr>
<tr>
<td>Charge for the period</td>
<td></td>
<td>-</td>
<td>(6,772,930)</td>
<td>(13,128,936)</td>
<td>(77,711,580)</td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td>-</td>
<td>46,715</td>
<td>-</td>
<td>197,390</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2018</strong></td>
<td></td>
<td>-</td>
<td>(53,485,924)</td>
<td>(149,263,659)</td>
<td>(857,915,245)</td>
</tr>
<tr>
<td><strong>Net book value as of 31 December 2018</strong></td>
<td>99,209,969</td>
<td>67,408,934</td>
<td>450,909,276</td>
<td>1,094,812,669</td>
<td>22,029,574</td>
</tr>
</tbody>
</table>

There is mortgage or pledge over assets of the Group amounting to TL 28,288,198 as of December 31, 2018. As of 31 December 2019, there is no the capitalized financial expense on the investments in progress.

The construction in progress is related to the investments made by the Group in Afyon, Niğde, and Eskişehir plants. As of 31 December 2018, the capitalized financial expense on the construction in progress is TL 10,000,775. Total amount of the transfer is TL 3,327,874 from the construction in progress to intangible assets.
<table>
<thead>
<tr>
<th>Furniture and Fixture Assets</th>
<th>Other Tangible Assets</th>
<th>Leasehold Improvements</th>
<th>Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16,944,713</td>
<td>1,158,971</td>
<td>2,270,359</td>
<td>366,935,964</td>
<td>2,820,532,739</td>
</tr>
<tr>
<td>490,187</td>
<td>218,790</td>
<td></td>
<td>5,437,224</td>
<td>55,698,265</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,705,259</td>
</tr>
<tr>
<td>330,259</td>
<td>7,460</td>
<td></td>
<td>239,065,852</td>
<td>255,735,339</td>
</tr>
<tr>
<td>(73,193)</td>
<td>(52,817)</td>
<td></td>
<td>-</td>
<td>(9,736,250)</td>
</tr>
<tr>
<td>2,240,749</td>
<td>-</td>
<td>-</td>
<td>(372,201,288)</td>
<td>(3,327,874)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(280,706)</td>
</tr>
<tr>
<td>19,932,715</td>
<td>1,332,404</td>
<td>2,270,359</td>
<td>239,237,752</td>
<td>3,122,607,478</td>
</tr>
<tr>
<td>(9,315,877)</td>
<td>(564,065)</td>
<td>(2,204,862)</td>
<td></td>
<td>(1,007,972,658)</td>
</tr>
<tr>
<td>(317,423)</td>
<td>(306,730)</td>
<td></td>
<td>-</td>
<td>(28,727,017)</td>
</tr>
<tr>
<td>(1,901,695)</td>
<td>(25,118)</td>
<td>(27,944)</td>
<td>-</td>
<td>(106,512,776)</td>
</tr>
<tr>
<td>39,436</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,124,347</td>
</tr>
<tr>
<td>(11,495,559)</td>
<td>(895,913)</td>
<td>(2,232,806)</td>
<td></td>
<td>(1,140,088,104)</td>
</tr>
<tr>
<td>8,437,156</td>
<td>436,491</td>
<td>37,553</td>
<td>239,237,752</td>
<td>1,982,519,374</td>
</tr>
</tbody>
</table>
11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>1 January 31 December 2019</th>
<th>1 January 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>121,605,567</td>
<td>103,742,431</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>4,976,110</td>
<td>2,453,502</td>
</tr>
<tr>
<td>Marketing, sales and distribution expenses</td>
<td>239,466</td>
<td>229,739</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>99,578</td>
<td>87,104</td>
</tr>
<tr>
<td></td>
<td><strong>126,920,721</strong></td>
<td><strong>106,512,776</strong></td>
</tr>
</tbody>
</table>

12. GOODWILL

The sale of the old factory and other unused lands of the company continues, and the remaining amount of TL 131,850 is reclassified in short-term assets as hold for sales assets (31 December 2018 - TL 280,706).

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>280,706</td>
<td>97,817</td>
</tr>
<tr>
<td>Reclassified</td>
<td>350,517</td>
<td>494,965</td>
</tr>
<tr>
<td>Sales</td>
<td>(499,373)</td>
<td>(312,076)</td>
</tr>
<tr>
<td></td>
<td><strong>131,850</strong></td>
<td><strong>280,706</strong></td>
</tr>
</tbody>
</table>

13. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Mining Rights</th>
<th>Other Intangible Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance as of 1 January 2019</td>
<td>31,792,544</td>
<td>14,641,174</td>
<td>46,433,718</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>30,218</td>
<td>103,136</td>
<td>133,354</td>
</tr>
<tr>
<td>Additions</td>
<td>850,000</td>
<td>1,268,394</td>
<td>2,118,394</td>
</tr>
<tr>
<td>Disposals</td>
<td>(350,517)</td>
<td>(176,110)</td>
<td>(526,627)</td>
</tr>
<tr>
<td>Transfers from investments</td>
<td>-</td>
<td>1,442,978</td>
<td>1,442,978</td>
</tr>
<tr>
<td>Closing balance as of 31 December 2019</td>
<td><strong>32,322,245</strong></td>
<td><strong>17,279,572</strong></td>
<td><strong>49,601,817</strong></td>
</tr>
</tbody>
</table>

Accumulated amortization

<table>
<thead>
<tr>
<th></th>
<th>Mining Rights</th>
<th>Other Intangible Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2019</td>
<td>(20,865,454)</td>
<td>(7,358,007)</td>
<td>(28,223,461)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>(584,000)</td>
<td>(76,437)</td>
<td>(660,437)</td>
</tr>
<tr>
<td>Charge for period</td>
<td>(592,064)</td>
<td>(2,267,383)</td>
<td>(2,859,447)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>176,110</td>
<td>176,110</td>
</tr>
</tbody>
</table>

Net book value as of 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Mining Rights</th>
<th>Other Intangible Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,280,727</td>
<td>7,753,855</td>
<td>18,034,582</td>
</tr>
</tbody>
</table>
### 13. INTANGIBLE ASSETS (continued)

<table>
<thead>
<tr>
<th>Mining Rights</th>
<th>Other Intangible Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance as of 1 January 2018</td>
<td>30,936,530</td>
<td>10,946,209</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>85,264</td>
<td>201,916</td>
</tr>
<tr>
<td>Additions</td>
<td>1,107,773</td>
<td>165,175</td>
</tr>
<tr>
<td>Disposals</td>
<td>(337,023)</td>
<td>-</td>
</tr>
<tr>
<td>Transfers from investments</td>
<td>-</td>
<td>3,327,874</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2018</strong></td>
<td>31,792,544</td>
<td>14,641,174</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated amortization</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2018</td>
<td>(19,389,759)</td>
<td>(5,651,622)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>(451,977)</td>
<td>(226,374)</td>
</tr>
<tr>
<td>Charge for period</td>
<td>(1,023,718)</td>
<td>(1,480,011)</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance as of 31 December 2018</strong></td>
<td>(20,865,454)</td>
<td>(7,358,007)</td>
</tr>
<tr>
<td><strong>Net book value as of 31 December 2018</strong></td>
<td>10,927,090</td>
<td>7,283,167</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>1 January - 31 December 2019</th>
<th>1 January - 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>2,739,700</td>
<td>2,438,608</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>112,109</td>
<td>57,673</td>
</tr>
<tr>
<td>Marketing, sales and distribution expenses</td>
<td>5,395</td>
<td>5,400</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>2,243</td>
<td>2,048</td>
</tr>
<tr>
<td></td>
<td><strong>2,859,447</strong></td>
<td><strong>2,503,729</strong></td>
</tr>
</tbody>
</table>
14. GOODWILL


Movement table as of 31 December 2019 and 31 December 2018 is shown below.

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>Opening</th>
<th>Effects of purchased plant</th>
<th>Impairment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eskişehir</td>
<td>132,140,806</td>
<td>-</td>
<td>-</td>
<td>132,140,806</td>
</tr>
<tr>
<td>Afyon Çimento Sanayi T.A.Ş.</td>
<td>11,358,393</td>
<td>-</td>
<td>-</td>
<td>11,358,393</td>
</tr>
<tr>
<td>Bilecik Hazır Beton</td>
<td>4,293,971</td>
<td>-</td>
<td>-</td>
<td>4,293,971</td>
</tr>
<tr>
<td>Çimsa Cement Free Zone Ltd.</td>
<td>326,082</td>
<td>-</td>
<td>-</td>
<td>326,082</td>
</tr>
<tr>
<td>Çırgaşlan Hazır Beton Tesisi</td>
<td>3,705,259</td>
<td>- (3,705,259)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>151,824,511</strong></td>
<td><strong>- (3,705,259)</strong></td>
<td><strong>-</strong></td>
<td><strong>148,119,252</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Opening</th>
<th>Effects of purchased plant</th>
<th>Impairment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eskişehir</td>
<td>132,140,806</td>
<td>-</td>
<td>-</td>
<td>132,140,806</td>
</tr>
<tr>
<td>Afyon Çimento Sanayi T.A.Ş.</td>
<td>11,358,393</td>
<td>-</td>
<td>-</td>
<td>11,358,393</td>
</tr>
<tr>
<td>Bilecik Hazır Beton</td>
<td>4,293,971</td>
<td>-</td>
<td>-</td>
<td>4,293,971</td>
</tr>
<tr>
<td>Çimsa Cement Free Zone Ltd.</td>
<td>326,082</td>
<td>-</td>
<td>-</td>
<td>326,082</td>
</tr>
<tr>
<td>Çırgaşlan Hazır Beton Tesisi</td>
<td>-</td>
<td>3,705,259</td>
<td>-</td>
<td>3,705,259</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>148,119,252</strong></td>
<td><strong>3,705,259</strong></td>
<td><strong>-</strong></td>
<td><strong>151,824,511</strong></td>
</tr>
</tbody>
</table>

Goodwill amounts associated with cash generating units are subjected to impairment determination studies once a year or more frequently if conditions indicate impairment. The recoverable value of cash generating units was determined on the basis of fair value calculations deducted from usage value or sales cost. The recoverable value was determined according to the fair value calculations made according to discounted cash flow analysis. These calculations include cash flow projections in TL and are based on five-year plans between 1 January 2020 and 31 December 2024. For the cash flow forecast, the average capital cost weighted by 16.40%, and the cost and sales price increases in line with macroeconomic and market assumptions were taken into consideration.

Çırgaşlan ready-mixed concrete facility was purchased with a price of 4,640,259 TL, and the positive goodwill amounting to TL 3,705,259 after the valuation regarding the facility was accounted in the consolidated balance sheet of the Group. According to TFRS 3 Business Combinations Standard, impairment test was performed for the cash generating unit groups in the period after the first accounting period. As a result of the impairment tests, as of 31 December 2019, the recoverable value of goodwill was determined under the registered value and an impairment of TL 3,705,259 was found.
15. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

As of 31 December 2019, there is no bonus and premium provisions for employee benefits. (31 December 2018: TL 3,428,000)

<table>
<thead>
<tr>
<th>Short-term provisions</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for litigations</td>
<td>20,028,140</td>
<td>16,828,717</td>
</tr>
<tr>
<td>Short-term provisions for employee benefits</td>
<td>-</td>
<td>3,428,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,028,140</strong></td>
<td><strong>20,256,717</strong></td>
</tr>
</tbody>
</table>

The movement of “Provision for the litigations” as of 31 December 2019 and 31 December 2018 is stated below:

<table>
<thead>
<tr>
<th>Provision for the litigation movement</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>16,828,717</td>
<td>14,930,295</td>
</tr>
<tr>
<td>Additional provision (Note 23)</td>
<td>3,385,186</td>
<td>2,228,249</td>
</tr>
<tr>
<td>Provision no longer required (-) (Note 23)</td>
<td>(185,763)</td>
<td>(329,827)</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>20,028,140</strong></td>
<td><strong>16,828,717</strong></td>
</tr>
</tbody>
</table>

As of 31 December 2019, the Group has a provision amounting to TL 20,028,140 based on the opinion of the legal advisors related to the cases which have a risk against the Group (31 December 2018: TL 16,828,717).
15. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

b. Long-Term Provisions

<table>
<thead>
<tr>
<th>Long-term provisions</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term employee benefits</td>
<td>43,128,555</td>
<td>33,842,645</td>
</tr>
<tr>
<td>Other long term provisions</td>
<td>4,209,071</td>
<td>4,260,089</td>
</tr>
<tr>
<td></td>
<td><strong>47,337,626</strong></td>
<td><strong>38,102,734</strong></td>
</tr>
</tbody>
</table>

Other long term provisions

<table>
<thead>
<tr>
<th>Recultivation provision</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,209,071</td>
<td>4,260,089</td>
</tr>
<tr>
<td></td>
<td><strong>4,209,071</strong></td>
<td><strong>4,260,089</strong></td>
</tr>
</tbody>
</table>

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 4,209,071 under “Other Long Term Provisions” as of 31 December 2019 (31 December 2018: TL 4,260,089).

Movement of recultivation provision as of December 31, 2019 and December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th>Recultivation provision movement</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>4,260,089</td>
<td>4,612,793</td>
</tr>
<tr>
<td>Additional provision (Note 22)</td>
<td>3,632,811</td>
<td>323,130</td>
</tr>
<tr>
<td>Provision no longer required (-) (Note 22)</td>
<td>(3,683,829)</td>
<td>(675,834)</td>
</tr>
<tr>
<td>Closing balance</td>
<td><strong>4,209,071</strong></td>
<td><strong>4,260,089</strong></td>
</tr>
</tbody>
</table>
### 16. COMMITMENTS

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

<table>
<thead>
<tr>
<th></th>
<th>Original Currency</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Amount</td>
<td>TL Balance</td>
<td>Original Amount</td>
</tr>
<tr>
<td>Letters of guarantees received</td>
<td>TL</td>
<td>337,215,804</td>
<td>337,215,804</td>
</tr>
<tr>
<td>Letters of guarantees received</td>
<td>USD</td>
<td>30,918,531</td>
<td>183,662,258</td>
</tr>
<tr>
<td>Letters of guarantees received</td>
<td>EUR</td>
<td>11,887,143</td>
<td>79,056,633</td>
</tr>
<tr>
<td>Letters of guarantees received</td>
<td>Other</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Mortgages received</td>
<td>TL</td>
<td>32,752,923</td>
<td>32,752,923</td>
</tr>
<tr>
<td>Mortgages received</td>
<td>EURO</td>
<td>544,391</td>
<td>3,620,526</td>
</tr>
<tr>
<td>Mortgages received</td>
<td>RUB</td>
<td>42,232,560</td>
<td>4,034,054</td>
</tr>
<tr>
<td>Checks and Notes received</td>
<td>TL</td>
<td>19,433,646</td>
<td>19,433,646</td>
</tr>
<tr>
<td>Checks and Notes received</td>
<td>EURO</td>
<td>70,000</td>
<td>465,542</td>
</tr>
<tr>
<td>Checks and Notes received</td>
<td>USD</td>
<td>47,300</td>
<td>280,971</td>
</tr>
<tr>
<td>Pledge</td>
<td>TL</td>
<td>17,189,320</td>
<td>17,189,320</td>
</tr>
<tr>
<td><strong>Total received CPM</strong></td>
<td></td>
<td><strong>677,737,677</strong></td>
<td></td>
</tr>
</tbody>
</table>
16. COMMITMENTS (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>Original Amount</th>
<th>TL Balance</th>
<th>Original Amount</th>
<th>TL Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total CPM given for the Company’s own legal entity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL</td>
<td>49,999,666</td>
<td>49,999,666</td>
<td>21,486,720</td>
<td>21,486,720</td>
</tr>
<tr>
<td>USD</td>
<td>24,526,027</td>
<td>145,689,507</td>
<td>21,148,223</td>
<td>111,258,686</td>
</tr>
<tr>
<td>EUR</td>
<td>3,855,373</td>
<td>25,640,546</td>
<td>4,966,275</td>
<td>29,936,706</td>
</tr>
<tr>
<td>B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C. Total CPM given in favour of other 3rd parties for ordinary trading operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D. Other CPM given</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Total CPM given in favour of parent entity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii. Total CPM given in favour of other Group companies out of scope of clause B and C</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>iii. Total CPM given in favour of other 3rd parties out of scope of clause C</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

221,329,719

17. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security payables</td>
<td>4,775,519</td>
<td>2,710,908</td>
</tr>
<tr>
<td>Personnel withholding tax</td>
<td>4,223,465</td>
<td>2,624,202</td>
</tr>
<tr>
<td>Wage and salary payables to personnel</td>
<td>460,665</td>
<td>731,667</td>
</tr>
</tbody>
</table>

9,459,649

6,066,777
17. EMPLOYEE BENEFITS (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement pay provision</td>
<td>36,917,551</td>
<td>29,122,963</td>
</tr>
<tr>
<td>Provision for unpaid vacation liability</td>
<td>4,797,633</td>
<td>3,637,726</td>
</tr>
<tr>
<td>Seniority provision</td>
<td>1,413,371</td>
<td>1,081,956</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,128,555</strong></td>
<td><strong>33,842,645</strong></td>
</tr>
</tbody>
</table>

The movement of “Retirement Pay Provision” for the periods ended 31 December 2019 and 31 December 2018 is stated below:

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>29,122,963</td>
<td>28,261,383</td>
</tr>
<tr>
<td>Service cost</td>
<td>8,984,569</td>
<td>4,640,853</td>
</tr>
<tr>
<td>Interest cost (Note 22)</td>
<td>1,310,533</td>
<td>1,034,352</td>
</tr>
<tr>
<td>Actuarial loss/(gain)</td>
<td>4,035,330</td>
<td>880,424</td>
</tr>
<tr>
<td>Provision paid during the period</td>
<td>(6,694,941)</td>
<td>(6,025,599)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>159,097</td>
<td>331,550</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>36,917,551</strong></td>
<td><strong>29,122,963</strong></td>
</tr>
</tbody>
</table>

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

Such payments are calculated on the basis of one month’s pay limited to a maximum of full TL 6,379.86 as of 31 December 2019 (31 December 2018: full TL 5,434.42).

As of 31 December 2019, retirement pay provision is reflected in the consolidated financial statements by using the “Projection Method” based on actuary method and assumptions made by professional actuaries.

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net discount rate</td>
<td>4.50%</td>
<td>5.10%</td>
</tr>
<tr>
<td>Employee turnover rate</td>
<td>3.87%</td>
<td>3.73%</td>
</tr>
</tbody>
</table>
17. BENEFITS (continued)

The movement of ‘Provision for Unpaid Vacation Liability’ for the periods ended 31 December 2019 and 31 December 2018 is stated below:

<table>
<thead>
<tr>
<th></th>
<th>1 January 31 December 2019</th>
<th>1 January 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>3,637,726</td>
<td>3,784,774</td>
</tr>
<tr>
<td>Additional provision</td>
<td>1,371,295</td>
<td>406,446</td>
</tr>
<tr>
<td>Provision paid during the period</td>
<td>(228,010)</td>
<td>(582,344)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>16,622</td>
<td>28,850</td>
</tr>
<tr>
<td>Closing balance</td>
<td>4,797,633</td>
<td>3,637,726</td>
</tr>
</tbody>
</table>

The movement of ‘Seniority Provision’ for the periods ended 31 December 2019 and 31 December 2018 is stated below:

<table>
<thead>
<tr>
<th></th>
<th>1 January 31 December 2019</th>
<th>1 January 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>1,081,956</td>
<td>727,409</td>
</tr>
<tr>
<td>Additional provision</td>
<td>697,345</td>
<td>669,153</td>
</tr>
<tr>
<td>Provisions no longer required (-)</td>
<td>(365,930)</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td>1,413,371</td>
<td>1,081,956</td>
</tr>
</tbody>
</table>

18. OTHER ASSETS AND LIABILITIES

a. Other Assets

Other current assets

<table>
<thead>
<tr>
<th>Statement</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred VAT (1)</td>
<td>102,002,655</td>
<td>72,343,398</td>
</tr>
<tr>
<td>Job and personnel advances</td>
<td>872,010</td>
<td>800,807</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,328,925</td>
<td>3,014,861</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104,203,590</strong></td>
<td><strong>76,159,066</strong></td>
</tr>
</tbody>
</table>

Other non-current assets

<table>
<thead>
<tr>
<th>Statement</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred VAT (2)</td>
<td>22,306,923</td>
<td>13,920,096</td>
</tr>
<tr>
<td>Export VAT (3)</td>
<td>1,583,352</td>
<td>3,902,117</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>348,790</td>
<td>2,154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,239,065</strong></td>
<td><strong>17,824,367</strong></td>
</tr>
</tbody>
</table>

---

(1) According to the estimates of the Group, the part that can be returned/deducted within a year is reclassified in other current assets account.
(2) According to the Group’s estimates, the portion of the transferred VAT that can be refunded/deducted in a longer term is classified as long term (31 December 2018: TL 13,920,096)
(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.
18. OTHER ASSETS AND LIABILITIES (continued)

b. Other Liabilities

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other short term liabilities</td>
<td>14,502,245</td>
<td>8,575,707</td>
</tr>
<tr>
<td></td>
<td>14,502,245</td>
<td>8,575,707</td>
</tr>
</tbody>
</table>

19. EQUITY, RESERVES AND OTHER EQUITY ITEMS

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

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>31 December 2019 (%)</th>
<th>Amount</th>
<th>31 December 2018 (%)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hacı Ömer Sabancı Holding A.Ş.</td>
<td>54.54</td>
<td>73,674,201</td>
<td>54.54</td>
<td>73,674,201</td>
</tr>
<tr>
<td>Akçansa Çimento San. ve Tic. A.Ş.</td>
<td>8.98</td>
<td>12,130,560</td>
<td>8.98</td>
<td>12,130,560</td>
</tr>
<tr>
<td>Hacı Ömer Sabancı Vakfı</td>
<td>0.11</td>
<td>150,000</td>
<td>0.11</td>
<td>150,000</td>
</tr>
<tr>
<td>Other shareholders (*)</td>
<td>36.37</td>
<td>49,129,681</td>
<td>36.37</td>
<td>49,129,681</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal share capital</td>
<td>100</td>
<td>135,084,442</td>
<td>100</td>
<td>135,084,442</td>
</tr>
<tr>
<td>Inflation adjustment</td>
<td></td>
<td>41,741,516</td>
<td></td>
<td>41,741,516</td>
</tr>
<tr>
<td>Rearranged share capital</td>
<td></td>
<td>176,825,958</td>
<td></td>
<td>176,825,958</td>
</tr>
</tbody>
</table>

(*) Public quotation of the Group in BIST is 35.65% as of 31 December 2019 (31 December 2018: 36.48%).
(1) Aberdeen Asset Management Limited holds 4.83% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios (31 December 2018: 9.07%).

The share capital of the Group as of 31 December 2019 consists of 135,084,442 shares (31 December 2018: 135,084,442 shares). The nominal value per share is TL 1 (31 December 2018: per share TL 1).

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 and to allocate TL 6,078,800 of “Legal reserves” and TL 154,730,921 “Extraordinary reserves” were unanimously approved and decided to pay by 29 March 2018.
19. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

Profit distribution

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

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.
## 20. DERIVATIVE FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Fair value</td>
</tr>
<tr>
<td></td>
<td>Contract Amount</td>
<td>Assets Liabilities</td>
</tr>
<tr>
<td><strong>Short term derivative financial instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging against impaired risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Currency Swap</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging against cash flow risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign exchange transactions</td>
<td>157,348,985</td>
<td>17,099,686</td>
</tr>
<tr>
<td>Marketable securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign exchange transactions</td>
<td>86,066,585</td>
<td>- 17,038,221</td>
</tr>
<tr>
<td><strong>Total short term derivative financial instruments</strong></td>
<td>17,099,686</td>
<td>17,038,221</td>
</tr>
<tr>
<td><strong>Long term derivative financial instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging against impaired risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>193,649,843</td>
<td>1,250,775</td>
</tr>
<tr>
<td>Hedging against cash flow risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign exchange transactions</td>
<td>107,583,258</td>
<td>23,036,946</td>
</tr>
<tr>
<td>Marketable securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign exchange transactions</td>
<td>107,583,258</td>
<td>- 23,036,946</td>
</tr>
<tr>
<td><strong>Total long term derivative financial instruments</strong></td>
<td>24,287,721</td>
<td>23,036,946</td>
</tr>
<tr>
<td><strong>Total derivative financial instruments</strong></td>
<td>41,387,407</td>
<td>40,075,167</td>
</tr>
</tbody>
</table>

As of December 31, 2019, the Group has realized 29 million sell Euro buy Turkish Lira forward transaction with maturity of 4 years expired on March 29, 2022 and with the same forward, the Group has protected a portion of its sales by foreign exchange forward contracts. Changes arising from forward transactions are recognized in the statement of change in shareholder’s equity considering the deferred tax effect.

As of December 31, 2019, the Group has realized 29 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, 2019, interest rate swap transactions consist of swap transactions in which Çimsa’s long term borrowings of EUR 29 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.
21. REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic sales</td>
<td>860,752,184</td>
<td>1,081,030,595</td>
</tr>
<tr>
<td>Export sales</td>
<td>1,146,900,535</td>
<td>869,404,499</td>
</tr>
<tr>
<td>Sales discounts (-)</td>
<td>(33,313,934)</td>
<td>(42,726,383)</td>
</tr>
<tr>
<td>Other deductions (-)</td>
<td>(248,143,148)</td>
<td>(207,750,656)</td>
</tr>
<tr>
<td></td>
<td>1,726,195,637</td>
<td>1,699,958,055</td>
</tr>
</tbody>
</table>

Cost of sales (-) (Note: 21)

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material and supplies expenses</td>
<td>(499,646,105)</td>
<td>(503,033,981)</td>
</tr>
<tr>
<td>Energy costs</td>
<td>(486,993,011)</td>
<td>(466,365,193)</td>
</tr>
<tr>
<td>Other production expenses</td>
<td>(137,249,508)</td>
<td>(134,853,580)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(132,132,993)</td>
<td>(106,181,039)</td>
</tr>
<tr>
<td>Direct labor cost</td>
<td>(82,344,604)</td>
<td>(71,584,320)</td>
</tr>
<tr>
<td>Total production cost</td>
<td>(1,338,366,221)</td>
<td>(1,282,018,113)</td>
</tr>
</tbody>
</table>

Cost of trade goods sold and other

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in work-in-process</td>
<td>(27,271,338)</td>
<td>36,888,736</td>
</tr>
<tr>
<td>Change in finished goods</td>
<td>(150,421)</td>
<td>16,184,391</td>
</tr>
<tr>
<td>Inventory impairment provision (Note 9)</td>
<td>(2,211,564)</td>
<td>(168,305)</td>
</tr>
<tr>
<td>Cost of trade goods sold and other</td>
<td>(54,038,045)</td>
<td>(64,864,150)</td>
</tr>
<tr>
<td></td>
<td>(1,422,037,589)</td>
<td>(1,293,977,441)</td>
</tr>
</tbody>
</table>
### 22. OPERATING EXPENSES BY NATURE (continued)

The detail of general administration expenses for the periods between 1 January - 31 December 2019 and 2018 is as follows:

<table>
<thead>
<tr>
<th>General administration expenses</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>(59,212,020)</td>
<td>(46,141,771)</td>
</tr>
<tr>
<td>Consultancy expenses</td>
<td>(46,385,437)</td>
<td>(24,882,339)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(10,075,779)</td>
<td>(2,511,175)</td>
</tr>
<tr>
<td>IT expenses</td>
<td>(6,094,297)</td>
<td>(5,940,324)</td>
</tr>
<tr>
<td>Tax, duty and charges</td>
<td>(6,155,046)</td>
<td>(8,275,046)</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>(5,411,479)</td>
<td>(4,711,907)</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>(3,841,364)</td>
<td>(1,777,951)</td>
</tr>
<tr>
<td>Representation expenses</td>
<td>(3,063,299)</td>
<td>(2,499,883)</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>(2,758,697)</td>
<td>(5,120,836)</td>
</tr>
<tr>
<td>Communication and advertising expenses</td>
<td>(2,514,980)</td>
<td>(2,319,313)</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td>(830,826)</td>
<td>(517,809)</td>
</tr>
<tr>
<td>Other miscellaneous expenses</td>
<td>(7,702,161)</td>
<td>(3,925,023)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(154,045,385)</strong></td>
<td><strong>(108,623,377)</strong></td>
</tr>
</tbody>
</table>
22. 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:

<table>
<thead>
<tr>
<th>Marketing, selling and distribution expenses</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>(8,187,534)</td>
<td>(7,801,229)</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>(1,462,293)</td>
<td>(1,615,290)</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>(1,229,178)</td>
<td>(835,923)</td>
</tr>
<tr>
<td>Consultancy expenses</td>
<td>(880,614)</td>
<td>(391,473)</td>
</tr>
<tr>
<td>Representation expenses</td>
<td>(294,838)</td>
<td>(274,434)</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>(260,256)</td>
<td>(759,594)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(244,861)</td>
<td>(235,139)</td>
</tr>
<tr>
<td>Communication and advertising expenses</td>
<td>(83,698)</td>
<td>(108,075)</td>
</tr>
<tr>
<td>Other miscellaneous expenses</td>
<td>(2,632,184)</td>
<td>(2,199,961)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(15,275,456)</strong></td>
<td><strong>(14,221,118)</strong></td>
</tr>
</tbody>
</table>

The detail of research and development expenses for the periods between 1 January - 31 December 2019 and 2018 is as follows:

<table>
<thead>
<tr>
<th>Research and development expenses</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>(3,539,651)</td>
<td>(2,489,023)</td>
</tr>
<tr>
<td>Outsourced benefits and services</td>
<td>(1,709,499)</td>
<td>(111,882)</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>(298,747)</td>
<td>(331,046)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(101,821)</td>
<td>(89,152)</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>(43,833)</td>
<td>(40,261)</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td>(25,769)</td>
<td>(20,595)</td>
</tr>
<tr>
<td>Transportation expenses</td>
<td>(5,861)</td>
<td>(5,611)</td>
</tr>
<tr>
<td>Other miscellaneous expenses</td>
<td>(720,470)</td>
<td>(763,898)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(6,445,651)</strong></td>
<td><strong>(3,851,468)</strong></td>
</tr>
</tbody>
</table>
23. OTHER OPERATING INCOME AND EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange gain from operating activities</td>
<td>95,105,448</td>
<td>87,724,619</td>
</tr>
<tr>
<td>Insurance damage compensation income</td>
<td>16,523,075</td>
<td>-</td>
</tr>
<tr>
<td>Provisions no longer required (Note 6/15)</td>
<td>9,850,585</td>
<td>1,614,870</td>
</tr>
<tr>
<td>Overdue and interest income from operating activities</td>
<td>2,789,173</td>
<td>2,245,872</td>
</tr>
<tr>
<td>Premiums and incentives received</td>
<td>271,605</td>
<td>422,183</td>
</tr>
<tr>
<td>Other income</td>
<td>3,251,583</td>
<td>9,259,032</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>127,791,469</strong></td>
<td><strong>101,266,576</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange loss from operating activities</td>
<td>(65,226,727)</td>
<td>(38,564,850)</td>
</tr>
<tr>
<td>Provision expenses (Note 6/15)</td>
<td>(9,958,463)</td>
<td>(9,597,329)</td>
</tr>
<tr>
<td>Compensation and penalty expenses</td>
<td>(1,786,649)</td>
<td>(3,326,248)</td>
</tr>
<tr>
<td>Interest expense of retirement pay provision (Note 17)</td>
<td>(1,310,533)</td>
<td>(1,034,352)</td>
</tr>
<tr>
<td>Litigation, levy and court paid expenses</td>
<td>(479,177)</td>
<td>(300,511)</td>
</tr>
<tr>
<td>Donations and grants</td>
<td>(312,388)</td>
<td>(271,341)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(12,954,826)</td>
<td>(8,695,595)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(92,028,763)</strong></td>
<td><strong>(61,790,226)</strong></td>
</tr>
</tbody>
</table>

24. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from investment activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets sales income (¹)</td>
<td>46,183,410</td>
<td>28,279,013</td>
</tr>
<tr>
<td>Rent income</td>
<td>1,026,868</td>
<td>2,426,601</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47,210,278</strong></td>
<td><strong>30,705,614</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense from investment activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed asset sales expense</td>
<td>-</td>
<td>(8,354)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>(8,354)</td>
</tr>
</tbody>
</table>

¹ Fixed assets sales income is related to the ongoing sale of the old factory land of Afyon, and also related to Niğde and Antalya land sales.
25. FINANCIAL INCOME/EXPENSE

<table>
<thead>
<tr>
<th>Financial income</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>6,098,730</td>
<td>5,141,861</td>
</tr>
<tr>
<td>Total financial income</td>
<td>6,098,730</td>
<td>5,141,861</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial expenses</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses of bank borrowings</td>
<td>(204,144,621)</td>
<td>(139,443,432)</td>
</tr>
<tr>
<td>Foreign exchange loss on bank borrowings</td>
<td>(70,790,861)</td>
<td>(76,268,267)</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(2,937,289)</td>
<td>(2,476,679)</td>
</tr>
<tr>
<td>Total financial expenses</td>
<td>(277,872,771)</td>
<td>(218,188,378)</td>
</tr>
</tbody>
</table>

26. INCOME TAXES

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

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

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

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

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

As of December 31, 2019, and 2018, 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.
26. INCOME TAXES (continued)

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 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their 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.

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, 2019 and 2018, 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.
26. INCOME TAXES (continued)

As of 31 December 2019 and 31 December 2018, corporate tax payables are summarized as follows:

Distribution of tax expenses are as follows:

<table>
<thead>
<tr>
<th>Assets related to the current period taxes</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid taxes and funds</td>
<td>3,078,501</td>
<td>2,526,430</td>
</tr>
<tr>
<td>Corporate tax payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period corporate tax provision</td>
<td>(7,964,053)</td>
<td>(11,217,802)</td>
</tr>
<tr>
<td>Prepaid taxes and funds (-)</td>
<td>7,676,664</td>
<td>5,106,303</td>
</tr>
<tr>
<td></td>
<td>(287,389)</td>
<td>(6,111,499)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax (expense)/income</th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current period corporate tax (expense)/income</td>
<td>(7,964,053)</td>
<td>(11,217,802)</td>
</tr>
<tr>
<td>Deferred tax (expense)/income</td>
<td>24,775,568</td>
<td>(10,036,216)</td>
</tr>
<tr>
<td></td>
<td>16,811,515</td>
<td>(21,254,018)</td>
</tr>
</tbody>
</table>
### 26. INCOME TAXES (continued)

Detail of deferred tax assets and liabilities of the Group as of December 31, 2019 and December 31, 2018 is as follows:

<table>
<thead>
<tr>
<th>Deferred tax assets:</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax losses carried forward</td>
<td>27,225,613</td>
<td>9,813,587</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>2,127,913</td>
<td>7,637,338</td>
</tr>
<tr>
<td>Tangible and intangible assets</td>
<td>7,566,318</td>
<td>4,145,478</td>
</tr>
<tr>
<td>Provision of mine site rehabilitation</td>
<td>887,808</td>
<td>805,203</td>
</tr>
<tr>
<td>Provision for doubtful receivables</td>
<td>1,551,849</td>
<td>1,792,720</td>
</tr>
<tr>
<td>Assets arising from cash capital increase tax incentive</td>
<td>8,220,890</td>
<td>5,110,370</td>
</tr>
<tr>
<td>Provision for litigations</td>
<td>4,406,163</td>
<td>3,685,602</td>
</tr>
<tr>
<td>Inventory impairment provision</td>
<td>1,184,258</td>
<td>755,307</td>
</tr>
<tr>
<td>Rediscount of payables and borrowings</td>
<td>8,710</td>
<td>-</td>
</tr>
<tr>
<td>Rediscount of receivables</td>
<td>799,164</td>
<td>272,248</td>
</tr>
<tr>
<td>Other</td>
<td>5,183,759</td>
<td>6,723,042</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>59,162,445</strong></td>
<td><strong>40,740,895</strong></td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

| Property, plant and equipment and intangible assets | (26,801,818) | (24,823,066) |
| Inventories                                       | (340,200)    | -            |
| Rediscount of payables and borrowings             | -            | (1,289,005)  |
| Goodwill                                          | (24,737,532) | (24,589,322) |
| Other                                             | (380,154)    | -            |
| **Total deferred tax liabilities**                | **(52,259,704)** | **(50,701,393)** |

**Net deferred tax asset/(liability)**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net deferred tax asset/(liability)</strong></td>
<td><strong>6,902,741</strong></td>
<td><strong>(9,960,498)</strong></td>
</tr>
</tbody>
</table>

The balance sheet presentation of the deferred tax (assets)/liabilities:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax (assets)</td>
<td>59,162,445</td>
<td>40,740,895</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(52,259,704)</td>
<td>(50,701,393)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,902,741</strong></td>
<td><strong>(9,960,498)</strong></td>
</tr>
</tbody>
</table>
26. INCOME TAXES (continued)

Deferred tax (assets)/liabilities movement

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>9,960,498</td>
<td>25,835,740</td>
</tr>
<tr>
<td>Deferred tax (income)/expense</td>
<td>(24,775,568)</td>
<td>10,036,216</td>
</tr>
<tr>
<td>Accounted under other comprehensive income</td>
<td>17,257,797</td>
<td>(20,507,481)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>(9,345,468)</td>
<td>(5,403,977)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>(6,902,741)</td>
<td>9,960,498</td>
</tr>
</tbody>
</table>

Tax reconciliation:

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>(32,001,188)</td>
<td>175,110,867</td>
</tr>
<tr>
<td>Effective statutory income tax rate</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Tax expense at the effective statutory income tax rate</td>
<td>7,040,261</td>
<td>(38,524,391)</td>
</tr>
</tbody>
</table>

Reconciliation of tax provision calculated with deductible:

- Non-deductible expenses                          | (682,696)         | (1,156,403)        |
- Effect of cash capital increase on tax incentive assets | 8,220,890         | 5,110,370          |
- Tax exemption from sale of land                 | 4,774,115         | 1,596,760          |
- Tax rate change effect (22%-20%)                | -                 | (3,502,217)        |
- Effect of the profit from investments accounted by equity method | 6,249,829         | 8,513,807          |
- Other                                           | (8,790,884)       | 6,708,056          |

Tax expense in the income statement               | 16,811,515        | (21,254,018)       |

‘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.
27. EARNINGS PER SHARE

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

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>135,084,442</td>
<td>135,084,442</td>
</tr>
<tr>
<td>Profit attributable to equity holders of the parent - TL</td>
<td>13,169,480</td>
<td>154,925,532</td>
</tr>
<tr>
<td>Dividend per share with nominal value of 1 Kr - TL</td>
<td>0.0975</td>
<td>1.1469</td>
</tr>
</tbody>
</table>

**Dividends distributed per share:**

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

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend amount distributed</td>
<td>67,542,221</td>
</tr>
<tr>
<td>Number of shares with nominal value of 1 Kr</td>
<td>135,084,442</td>
</tr>
<tr>
<td>Dividend per share (Kr)</td>
<td>0.5000</td>
</tr>
</tbody>
</table>

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.
28. RELATED PARTY DISCLOSURES

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity’s financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 December 2019 and 31 December 2018 and the related party transactions for the years ended 31 December 2019 and 31 December 2018 are mainly as follows:

**Short-term trade receivables from related parties**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)</td>
<td>2,006,838</td>
<td>3,100</td>
</tr>
<tr>
<td>Karçimsa Çimento San. ve Tic. A.Ş.</td>
<td>25,888</td>
<td>-</td>
</tr>
<tr>
<td>Enerjisa Enerji A.Ş. (2)</td>
<td>-</td>
<td>10,177</td>
</tr>
<tr>
<td>Teknosa (2)</td>
<td>-</td>
<td>5,220</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,032,726</strong></td>
<td><strong>18,497</strong></td>
</tr>
</tbody>
</table>

(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.

**Other receivables to related parties**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ak Finansal Kiralama A.Ş.</td>
<td>223,504</td>
<td>223,504</td>
</tr>
<tr>
<td>Teknosa İç ve Dış Ticaret A.Ş.</td>
<td>5,220</td>
<td>-</td>
</tr>
<tr>
<td>Avivasa Emeklilik Hayat A.Ş. (3)</td>
<td>-</td>
<td>25,093</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>228,724</strong></td>
<td><strong>248,597</strong></td>
</tr>
</tbody>
</table>

**Short-term trade payables to related parties**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enerjisa Enerji A.Ş. (2) (7)</td>
<td>63,670,705</td>
<td>58,562,205</td>
</tr>
<tr>
<td>Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)</td>
<td>-</td>
<td>12,441</td>
</tr>
<tr>
<td>Other</td>
<td>134,795</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63,805,500</strong></td>
<td><strong>58,574,646</strong></td>
</tr>
</tbody>
</table>
28. RELATED PARTY DISCLOSURES (continued)

Other payables to related parties (short term)

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sabancı Dx</td>
<td>2,983,076</td>
<td>1,319,525</td>
</tr>
<tr>
<td>Aksigorta A.Ş.</td>
<td>12,924</td>
<td>64,390</td>
</tr>
<tr>
<td>Teknosa</td>
<td>59,083</td>
<td>3,504</td>
</tr>
<tr>
<td>Other</td>
<td>482,493</td>
<td>185,504</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,537,576</strong></td>
<td><strong>1,572,923</strong></td>
</tr>
</tbody>
</table>

Bank balances deposited in related parties

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akbank T.A.Ş.</td>
<td>162,445,305</td>
<td>199,233,840</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>162,445,305</strong></td>
<td><strong>199,233,840</strong></td>
</tr>
</tbody>
</table>

Borrowings from related parties

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akbank T.A.Ş.</td>
<td>500,875,673</td>
<td>283,145,528</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500,875,673</strong></td>
<td><strong>283,145,528</strong></td>
</tr>
</tbody>
</table>

Sales to related parties

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akçansa Çimento Sanayi ve Ticaret A.Ş.</td>
<td>3,733,452</td>
<td>934,704</td>
</tr>
<tr>
<td>Enerjisa Enerji A.Ş.</td>
<td>355,672</td>
<td>-</td>
</tr>
<tr>
<td>Sabancı Dx</td>
<td>-</td>
<td>12,658</td>
</tr>
<tr>
<td>Other</td>
<td>650,432</td>
<td>-</td>
</tr>
<tr>
<td>Teknosa</td>
<td>-</td>
<td>4,207</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,739,556</strong></td>
<td><strong>951,569</strong></td>
</tr>
</tbody>
</table>

(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.
28 RELATED PARTY DISCLOSURES (continued)

Purchases and services received from related parties

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enerjisa Enerji A.Ş. (3)</td>
<td>186,438,421</td>
<td>131,156,473</td>
</tr>
<tr>
<td>Sabancı Dx</td>
<td>11,746,755</td>
<td>4,580,613</td>
</tr>
<tr>
<td>Aksigorta A.Ş.</td>
<td>5,182,055</td>
<td>5,878,859</td>
</tr>
<tr>
<td>Ak Finansal Kiralama</td>
<td>2,651,739</td>
<td>-</td>
</tr>
<tr>
<td>Ak Yatırım</td>
<td>1,666,028</td>
<td>-</td>
</tr>
<tr>
<td>Avivasa Emeklilik ve Hayat A.Ş. (3)</td>
<td>344,317</td>
<td>289,039</td>
</tr>
<tr>
<td>CarrefourSA</td>
<td>-</td>
<td>227,170</td>
</tr>
<tr>
<td>Teknosa</td>
<td>218,626</td>
<td>125,427</td>
</tr>
<tr>
<td>Sabtek-San</td>
<td>2,889</td>
<td>-</td>
</tr>
<tr>
<td>Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)</td>
<td>278,908</td>
<td>48,492</td>
</tr>
<tr>
<td>Hacı Ömer Sabancı Holding. A.Ş. (3)</td>
<td>-</td>
<td>133,046</td>
</tr>
<tr>
<td>Other</td>
<td>1,395,581</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>209,925,319</strong></td>
<td><strong>142,439,119</strong></td>
</tr>
</tbody>
</table>

Interest income from related parties

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akbank T.A.Ş. (2)</td>
<td>4,534,086</td>
<td>1,847,295</td>
</tr>
<tr>
<td></td>
<td><strong>4,534,086</strong></td>
<td><strong>1,847,295</strong></td>
</tr>
</tbody>
</table>

Interest expenses from related parties

<table>
<thead>
<tr>
<th></th>
<th>1 January-31 December 2019</th>
<th>1 January-31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akbank T.A.Ş. (2)</td>
<td>(50,846,056)</td>
<td>(36,010,032)</td>
</tr>
<tr>
<td></td>
<td><strong>(50,846,056)</strong></td>
<td><strong>(36,010,032)</strong></td>
</tr>
</tbody>
</table>

Compensation benefits to the top management

Total amount of compensation benefits paid to the Chairman and the members of the Board of Directors, general manager, general coordinator and deputy general managers, is TL 10,948,084 (31 December 2018 - TL 14,002,242). The contributions paid to Social Security Institution are TL 690,367 (31 December 2018 - TL 1,238,993).

(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.
29. FOREIGN CURRENCY RISK

As of 31 December 2019 and 31 December 2018, the Group’s foreign currency position in terms of the original currency is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TL Equivalent (Functional Currency)</td>
<td>USD (Original Currency)</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>198,844,035</td>
<td>26,853,698</td>
</tr>
<tr>
<td>Monetary financial assets</td>
<td>151,740,580</td>
<td>7,817,898</td>
</tr>
<tr>
<td>Other</td>
<td>60,363,341</td>
<td>2,727,396</td>
</tr>
<tr>
<td>Current Assets</td>
<td>410,947,956</td>
<td>37,398,992</td>
</tr>
<tr>
<td></td>
<td>410,947,956</td>
<td>37,398,992</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(46,730,866)</td>
<td>(5,286,452)</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(526,184,183)</td>
<td>(21,493,798)</td>
</tr>
<tr>
<td>Other</td>
<td>(16,629,791)</td>
<td>(271,656)</td>
</tr>
<tr>
<td>Short Term Liabilities</td>
<td>(589,544,840)</td>
<td>(27,051,906)</td>
</tr>
<tr>
<td></td>
<td>(589,544,840)</td>
<td>(27,051,906)</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>(589,544,840)</td>
<td>(27,051,906)</td>
</tr>
<tr>
<td></td>
<td>(589,544,840)</td>
<td>(27,051,906)</td>
</tr>
<tr>
<td>Net foreign currency asset/liability position</td>
<td>(178,596,885)</td>
<td>10,347,086</td>
</tr>
<tr>
<td>Off balance sheet derivative financial instruments net asset/liability position</td>
<td>229,291,030</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Net foreign currency asset/liability position for monetary items</td>
<td>50,694,145</td>
<td>16,347,086</td>
</tr>
<tr>
<td>Export</td>
<td>940,901,942</td>
<td>111,985,229</td>
</tr>
<tr>
<td>Import</td>
<td>202,086,746</td>
<td>34,288,780</td>
</tr>
</tbody>
</table>

As the national currencies of the Group’s foreign subsidiaries are not assessed as the foreign currency risk, they are not included in the foreign currency position.
29. FOREIGN CURRENCY RISK (continued)

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

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>Profit/Loss</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign currency appreciation</td>
<td>Foreign currency depreciation</td>
<td>Foreign currency appreciation</td>
<td>Foreign currency depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1- USD net assets/liabilities</td>
<td>6,146,376</td>
<td>(6,146,376)</td>
<td>6,146,376</td>
<td>(6,146,376)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2- Hedged portion of USD risk (-)</td>
<td>3,564,120</td>
<td>(3,564,120)</td>
<td>3,564,120</td>
<td>(3,564,120)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3- USD net effect (1+2)</td>
<td>9,710,496</td>
<td>(9,710,496)</td>
<td>9,710,496</td>
<td>(9,710,496)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4- Net EUR assets/liabilities</td>
<td>(24,719,355)</td>
<td>24,719,355</td>
<td>(24,719,355)</td>
<td>24,719,355</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5- Hedged portion of EUR risk (-)</td>
<td>19,364,983</td>
<td>(19,364,983)</td>
<td>19,364,983</td>
<td>(19,364,983)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7- Net GBP assets/liabilities</td>
<td>713,291</td>
<td>(713,291)</td>
<td>713,291</td>
<td>(713,291)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8- Hedged portion of GBP risk (-)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9- GBP net effect (7+8)</td>
<td>713,291</td>
<td>(713,291)</td>
<td>713,291</td>
<td>(713,291)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL (3+6+9)</td>
<td>5,069,415</td>
<td>(5,069,415)</td>
<td>5,069,415</td>
<td>(5,069,415)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
29. FOREIGN CURRENCY RISK (continued)

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Profit/Loss</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign currency appreciation</td>
<td>Foreign currency depreciation</td>
</tr>
<tr>
<td>1- USD net assets/liabilities</td>
<td>(5,238,986)</td>
<td>5,238,986</td>
</tr>
<tr>
<td>2- Hedged portion of USD risk (1)</td>
<td>6,313,080</td>
<td>(6,313,080)</td>
</tr>
<tr>
<td>3- USD net effect (1+2)</td>
<td>1,074,094</td>
<td>(1,074,094)</td>
</tr>
<tr>
<td>4- Net EUR assets/liabilities</td>
<td>(33,778,545)</td>
<td>33,778,545</td>
</tr>
<tr>
<td>5- Hedged portion of EUR risk (4)</td>
<td>34,395,059</td>
<td>(34,395,059)</td>
</tr>
<tr>
<td>6- EUR net effect (4+5)</td>
<td>616,514</td>
<td>(616,514)</td>
</tr>
<tr>
<td>7- Net GBP assets/liabilities</td>
<td>211,670</td>
<td>(211,670)</td>
</tr>
<tr>
<td>8- Hedged portion of GBP risk (7)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9- GBP net effect (7+8)</td>
<td>211,670</td>
<td>(211,670)</td>
</tr>
<tr>
<td>TOTAL (3+6+9)</td>
<td>1,902,278</td>
<td>(1,902,278)</td>
</tr>
</tbody>
</table>

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.

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

**Interest position table**

<table>
<thead>
<tr>
<th>Fixed rate instruments</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time deposits</td>
<td>235,356,930</td>
<td>122,990,970</td>
</tr>
<tr>
<td>Loans</td>
<td>1,325,750,361</td>
<td>1,079,816,656</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable rate financial instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans (*)</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

(*) 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.
30. AVAILABLE FOR SALE FINANCIAL INVESTMENTS

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

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage of ownership (%)</th>
<th>Amount</th>
<th>Percentage of ownership (%)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesbaş Mersin Serbest Böl. İşl. A.Ş. (Mesbaş)</td>
<td>0.41</td>
<td>52,712</td>
<td>0.41</td>
<td>52,712</td>
</tr>
<tr>
<td>Anfas Antalya Fuarcılık A.Ş. (Anfas)</td>
<td>0.02</td>
<td>11,766</td>
<td>0.02</td>
<td>11,766</td>
</tr>
<tr>
<td></td>
<td></td>
<td>64,478</td>
<td></td>
<td>64,478</td>
</tr>
</tbody>
</table>

31. 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 2019 and 31 December 2018 are as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total financial borrowings</td>
<td>1,701,171,857</td>
<td>1,480,471,752</td>
</tr>
<tr>
<td>Less: Cash and cash equivalents</td>
<td>267,350,543</td>
<td>202,067,347</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,433,821,314</td>
<td>1,278,404,405</td>
</tr>
<tr>
<td>Equity</td>
<td>1,485,763,239</td>
<td>1,451,479,380</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,919,584,553</td>
<td>2,729,883,785</td>
</tr>
<tr>
<td>Net debt/Equity ratio (%)</td>
<td>97%</td>
<td>88%</td>
</tr>
</tbody>
</table>

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.
31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 2019 and 2018 is as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Receivables</th>
<th>Derivative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>Receivables</td>
</tr>
<tr>
<td>31 December 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdue 1-30 days</td>
<td>19,999,316</td>
<td>-</td>
</tr>
<tr>
<td>Overdue 1-3 months</td>
<td>918,848</td>
<td>-</td>
</tr>
<tr>
<td>Overdue 3-12 months</td>
<td>9,212,005</td>
<td>-</td>
</tr>
<tr>
<td>Total overdue receivables</td>
<td>30,130,169</td>
<td>-</td>
</tr>
<tr>
<td>Secured part via collateral etc.</td>
<td>23,950,511</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Receivables</th>
<th>Derivative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td>Receivables</td>
<td>Receivables</td>
</tr>
<tr>
<td>31 December 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdue 1-30 days</td>
<td>13,930,594</td>
<td>-</td>
</tr>
<tr>
<td>Overdue 1-3 months</td>
<td>4,992,966</td>
<td>-</td>
</tr>
<tr>
<td>Overdue 3-12 months</td>
<td>24,832,848</td>
<td>-</td>
</tr>
<tr>
<td>Total overdue receivables</td>
<td>43,756,408</td>
<td>-</td>
</tr>
<tr>
<td>Secured part via collateral etc.</td>
<td>29,244,584</td>
<td>-</td>
</tr>
</tbody>
</table>
### 31. 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:

<table>
<thead>
<tr>
<th>Receivables</th>
<th>Trade Receivables</th>
<th>Other Receivables</th>
<th>Bank Deposits</th>
<th>Derivative Financial Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Related Party</td>
<td>Third Party</td>
<td>Related Party</td>
<td>Third Party</td>
</tr>
<tr>
<td>31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum credit exposures as of report date (1) (A+B+C+D+E)</td>
<td>2,032,726</td>
<td>458,942,941</td>
<td>228,724</td>
<td>7,752,668</td>
</tr>
<tr>
<td>- Secured Part of maximum credit risk exposure via collateral etc.</td>
<td>-</td>
<td>253,393,928</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

A. Net book value for the financial assets that are neither overdue nor impaired (2) | 2,032,726 | 428,812,771 | 228,724 | 7,752,668 | 162,445,305 | 104,886,952 | 41,387,407 |

B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired (3) | - | - | - | - | - | - | - |

C. Net book value of financial assets that are overdue but not impaired - Secured part via collateral etc. | - | 30,130,169 | - | - | - | - | - |

D. Net book value of impaired financial assets - Overdue (gross carrying amount) | - | 16,043,739 | - | 753,646 | - | - | - |
| - Impairment (-) | (16,043,739) | (753,646) | - | - | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |
| - Not Overdue (gross carrying amount) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Secured part via collateral etc. | - | - | - | - | - | - | - |

E. Off-Balance sheet financial 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.
31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Credit risk management (continued)

<table>
<thead>
<tr>
<th></th>
<th>Trade Receivables</th>
<th>Other Receivables</th>
<th>Bank Deposits</th>
<th>Derivative Financial Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Related Party</td>
<td>Third Party</td>
<td>Related Party</td>
<td>Third Party</td>
</tr>
<tr>
<td>Maximum credit exposures as of report date (1)</td>
<td>18,497</td>
<td>420,638,963</td>
<td>248,597</td>
<td>5,028,189</td>
</tr>
<tr>
<td>- Secured Part of maximum credit risk exposure via collateral etc.</td>
<td>689,771,272</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Net book value for the financial assets that are neither overdue nor impaired (2)</td>
<td>18,497</td>
<td>376,882,555</td>
<td>248,597</td>
<td>5,028,189</td>
</tr>
<tr>
<td>B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired (3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C. Net book value of financial assets that are overdue but not impaired</td>
<td>-</td>
<td>43,756,408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Secured part via collateral etc.</td>
<td>-</td>
<td>29,244,584</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D. Net book value of impaired financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Overdue (gross carrying amount)</td>
<td>-</td>
<td>18,698,305</td>
<td>-</td>
<td>753,646</td>
</tr>
<tr>
<td>- Impairment (-)</td>
<td>-</td>
<td>(18,698,305)</td>
<td>-</td>
<td>(753,646)</td>
</tr>
<tr>
<td>- Secured part via collateral etc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Not Overdue (gross carrying amount)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Impairment (-)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Secured part via collateral etc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>E. Off-Balance sheet financial assets exposed to credit risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(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.
31. 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 20.

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% + Euribor” variable interest rate in Euro terms with “2,15% + 0,30%”. Çimsa swapped an interest rate swap for its long-term loan with a floating interest rate of EUR 29,117,648. The maturity date of the transaction is March 29, 2022 and it is accounted under equity by applying hedge accounting.

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.

<table>
<thead>
<tr>
<th>31 December 2019 Contractual maturities</th>
<th>Net Book Value</th>
<th>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)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Borrowings</td>
<td>1,701,171,857</td>
<td>1,818,866,774 451,416,483 689,533,201 677,917,090 -</td>
</tr>
<tr>
<td>Trade Payables</td>
<td>353,739,900</td>
<td>356,777,843 356,777,843 - - -</td>
</tr>
<tr>
<td>Other Payables, Liabilities and Deferred Income</td>
<td>64,634,100</td>
<td>64,634,100 64,634,100 - - -</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,119,545,857</strong></td>
<td><strong>2,240,278,717</strong> <strong>872,828,426</strong> <strong>689,533,201</strong> <strong>677,917,090</strong> -</td>
</tr>
<tr>
<td><strong>Derivative financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized purchase/sale commitments (net)</td>
<td>40,075,167</td>
<td>40,075,167 - - 40,075,167</td>
</tr>
<tr>
<td></td>
<td>40,075,167</td>
<td>40,075,167 - - 40,075,167</td>
</tr>
</tbody>
</table>
### 31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

**f. Liquidity risk (continued)**

**31 December 2018**

<table>
<thead>
<tr>
<th>Contractual maturities</th>
<th>Net Book Value</th>
<th>Contractual Total Cash Outflow (I+II+III+IV)</th>
<th>Less Than 3 Months (I)</th>
<th>3-12 Months (II)</th>
<th>1-5 Years (III)</th>
<th>More Than 5 Years (IV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Borrowings</td>
<td>1,480,471,752</td>
<td>1,621,075,117</td>
<td>478,828,492</td>
<td>621,609,687</td>
<td>520,636,938</td>
<td></td>
</tr>
<tr>
<td>Trade Payables</td>
<td>296,068,427</td>
<td>298,122,936</td>
<td>298,122,936</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Payables, Liabilities and Deferred Income</td>
<td>37,232,188</td>
<td>37,232,188</td>
<td>37,232,188</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,813,772,367</td>
<td>1,956,430,241</td>
<td>814,183,616</td>
<td>621,609,687</td>
<td>520,636,938</td>
<td>-</td>
</tr>
<tr>
<td><strong>Derivative financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized purchase/sale commitments (net)</td>
<td>97,498,489</td>
<td>97,498,489</td>
<td>-</td>
<td>-</td>
<td>97,498,489</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>97,498,489</td>
<td>97,498,489</td>
<td>-</td>
<td>-</td>
<td>97,498,489</td>
<td>-</td>
</tr>
</tbody>
</table>
### 32. Financial Instruments Fair Value and Hedge Accounting Disclosures

The classification and fair value of the financial instruments

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and cash</td>
<td>Loans and receivables</td>
<td>Available for sale financial assets</td>
<td>Financial liabilities at financial cost</td>
<td>Derivative financial instruments accounted under equity</td>
<td>Derivative financial instruments through income statement</td>
</tr>
<tr>
<td>Financial assets</td>
<td>equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash</td>
<td>267,350,543</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>460,975,667</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>460,975,667</td>
</tr>
<tr>
<td>Financial investments</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>-</td>
<td>21,718,538</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,718,538</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41,387,407</td>
<td>-</td>
<td>41,387,407</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,701,171,857</td>
<td>-</td>
<td>1,701,171,857</td>
</tr>
<tr>
<td>Trade payable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>353,759,900</td>
<td>-</td>
<td>353,759,900</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,634,100</td>
<td>-</td>
<td>64,634,100</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,075,167</td>
<td>-</td>
<td>40,075,167</td>
</tr>
<tr>
<td></td>
<td>31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>217,427,133</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalent</td>
<td>217,427,133</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>420,657,460</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>420,657,460</td>
</tr>
<tr>
<td>Financial investments</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>-</td>
<td>15,729,110</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,729,110</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>79,843,539</td>
<td>-</td>
<td>79,843,539</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,480,471,752</td>
<td>-</td>
<td>1,480,471,752</td>
</tr>
<tr>
<td>Trade payable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>296,068,427</td>
<td>-</td>
<td>296,068,427</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>37,232,188</td>
<td>-</td>
<td>37,232,188</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>97,498,489</td>
<td>-</td>
<td>97,498,489</td>
</tr>
</tbody>
</table>
32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (continued)

The classification and fair value of the financial instruments (continued)

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
## 32. Financial Instruments Fair Value and Hedge Accounting Disclosures (continued)

### Fair value hierarchy table (continued)

As of 31 December 2019, the fair value hierarchy table of the Company’s assets and liabilities at fair value are as follows:

<table>
<thead>
<tr>
<th>Financial assets and liabilities at fair value</th>
<th>31 December 2019</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets and liabilities at fair value through income/loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>41,387,407</td>
<td>-</td>
<td>41,387,407</td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>(17,038,221)</td>
<td>-</td>
<td>(17,038,221)</td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets and liabilities at fair value through other comprehensive income/loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for sale financial assets</td>
<td>64,478</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>(23,036,946)</td>
<td>-</td>
<td>(23,036,946)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,376,718</td>
<td>-</td>
<td>1,312,240</td>
<td>64,478</td>
</tr>
</tbody>
</table>
32. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES (continued)

Fair value hierarchy table (continued)

<table>
<thead>
<tr>
<th>Financial assets and liabilities at fair value</th>
<th>31 December 2018</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets and liabilities at fair value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets and liabilities at fair value through income/loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>79,843,539</td>
<td>79,843,539</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>(41,562,030)</td>
<td>-</td>
<td>(41,562,030)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Financial assets and liabilities at fair value through other comprehensive income/loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for sale financial assets</td>
<td>64,478</td>
<td>-</td>
<td>-</td>
<td>64,478</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>(55,936,459)</td>
<td>-</td>
<td>(55,936,459)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(17,590,472)</td>
<td>-</td>
<td>(17,654,950)</td>
<td>64,478</td>
</tr>
</tbody>
</table>

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

Fair value of financial instruments (continued)

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value difference reflects other comprehensive income/loss derivative financial assets and liabilities (*)</td>
<td>(40,075,167)</td>
<td>(97,498,489)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(40,075,167)</strong></td>
<td><strong>(97,498,489)</strong></td>
</tr>
<tr>
<td>Fair value difference reflects over income/loss financial</td>
<td>41,387,407</td>
<td>79,843,539</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,387,407</strong></td>
<td><strong>79,843,539</strong></td>
</tr>
</tbody>
</table>

(*) Derivative instruments detailed in Note 18 consist of forward purchase/sale contracts. Some of the group sales were protected by foreign exchange forward contracts. In addition, the interest rate swap transaction is applied against the risk of impairment arising from the interest rate changes of the loan. As of December 31, 2019, the revaluation amount of the Group’s hedged transactions is EUR 29,117,648 (2018: TL 57,058,824), which is presented in the consolidated statement of financial position as “Derivative financial assets” and “Equity”

Fair value measurement hierarchy table

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

33. SUBSEQUENT EVENTS

In the Group decision on January 21, 2020, Afyon Çimento Sanayi Türk Anonim Şirketi Subsidiary’s issued capital, which was TL 100,000,000 within the registered capital ceiling of TL 450,000,000, was increased TL 300,000,000 (300%) to TL 400,000,000. It was decided not to restrict the existing shareholders’ right to buy new shares and to use the new share rights over the nominal value of 1 TL nominal value for 1 lot of shares. In case there are shares that cannot be sold after the sale of new shares that are not used and offered to the public, the shares in question are committed to the purchase of the shares in full and in cash, on the average of the public offering price.

According to the investigation pursued by the Competition Authority of the Group’s Afyon Cement Industry Subsidiary of the Competition Authority dated 28.01.2020 and numbered 77234294-110.01.04-E.1618, with the file number 2017-5-046, It was decided that there was no violation of Article 4 of the Law on Protection and no administrative fines were required.
PROFIT DISTRIBUTION PROPOSAL AND RESULTS

According to our financial statements for the accounting period between January 01, 2019 and December 31, 2019, prepared in accordance with the "Communiqué on Principles of Financial Reporting in Capital Markets" (II- 14.1) of Capital Market Board and audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., our consolidated profit for the period was TL154,925,532.00. As per our financial statements prepared in accordance with Tax Procedural Law our net loss for the period was TL 15,189,673.

Due to the period loss and the cash need of our Company, we propose that you decide not to distribute profit.

CİMSA CİMENTO SANAYİ VE TİCARET A.Ş.

On behalf of the Board of Directors

Tamer SAKA
Chairman of the Board of Directors
## PROFIT DISTRIBUTION TABLE

### ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş.

### PROFIT DISTRIBUTION TABLE (TRY)

<table>
<thead>
<tr>
<th>Description</th>
<th>As per CMB</th>
<th>As per Statutory Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paid in Capital</td>
<td>135,084,442.00</td>
<td></td>
</tr>
<tr>
<td>2. General Legal Reserves (As per Statutory Records)</td>
<td>197,325,616.30</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>If there is privileged dividend according to the article of association, information regarding this privilege.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Profit (32,001,188.00)</td>
<td>(32,001,188.00)</td>
<td>47,594,573.35</td>
</tr>
<tr>
<td>4. Taxes (-)</td>
<td>16,811,515.00</td>
<td>6,116,599.01</td>
</tr>
<tr>
<td>5. Net Profit for the Period (=)</td>
<td>13,169,480.00</td>
<td>41,477,974.34</td>
</tr>
<tr>
<td>6. Previous year’s losses (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. General Legal Reserve (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)</td>
<td>13,169,480.00</td>
<td>41,477,974.34</td>
</tr>
<tr>
<td>9. Donations during the year (+)</td>
<td>270,822.62</td>
<td></td>
</tr>
<tr>
<td>10. Net Distributable Profit Including Donations</td>
<td>13,440,302.62</td>
<td></td>
</tr>
<tr>
<td>First Category Dividend for Shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Dividends Distributed to the Privileged Shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Other Dividends Distributed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Members of the Board of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non Shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Dividends Distributed to the Holders of Usufruct Right Certificates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Second Category Dividend for Shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. General Legal Reserves (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Status Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Special Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Extraordinary Reserves</td>
<td>13,169,480.00</td>
<td>41,477,974.34</td>
</tr>
<tr>
<td>19. OTHER RESOURCES PLANNED FOR DISTRIBUTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Previous Years Profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Extraordinary Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other Distributable Reserves as Per Law and Articles of Association</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### DIVIDEND RATIOS TABLE

<table>
<thead>
<tr>
<th>Total Dividend Amount</th>
<th>Total Dividend Amount/Net Distributable Profit For The Period</th>
<th>Dividend per a share with a nominal value of TL 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (TL)</td>
<td>Share (TL)</td>
<td>Ratio (%)</td>
</tr>
<tr>
<td>Gross</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Net*</td>
<td>-</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*It’s assumed that a 15% tax cut will be computed when calculating the net amount.
ÇİMSA 2018-2019 PERFORMANCE TABLES
## ÇİMZA 2018-2019 PERFORMANCE TABLES

### Economic Performance Indicators

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Production Amount</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grey Cement (million tons)</td>
<td>4.5</td>
<td>3.5</td>
</tr>
<tr>
<td>White Cement (million tons)</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Calcium Aluminate Cement (kilo ton)</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>Clinker (million tons)</td>
<td>5.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Ready-Mixed Concrete (million m³)</td>
<td>2.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Aggregate (tons)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Sales Amount</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grey Cement (million tons)</td>
<td>4.5</td>
<td>3.5</td>
</tr>
<tr>
<td>White Cement (million tons)</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Calcium Aluminate Cement (kiloton)</td>
<td>33</td>
<td>35.1</td>
</tr>
<tr>
<td>Clinker (tons)</td>
<td>596 thousand</td>
<td>3.5 million</td>
</tr>
<tr>
<td>Ready-Mixed Concrete (million m³)</td>
<td>2.7</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Economic Value Created (million TL)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>1,699</td>
<td>1,726</td>
</tr>
<tr>
<td><strong>Economic Value Distributed (million TL)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes Paid</td>
<td>32.3</td>
<td>21.6</td>
</tr>
<tr>
<td>Dividends to Stakeholders</td>
<td>68</td>
<td>-</td>
</tr>
<tr>
<td>Wages to Employees</td>
<td>127</td>
<td>153</td>
</tr>
<tr>
<td>R&amp;D Expense Incurred in The Reporting Period (million TL)</td>
<td>4.1</td>
<td>6.4</td>
</tr>
</tbody>
</table>
## ENVIRONMENTAL PERFORMANCE INDICATORS

### Grey Cement Raw Material Amount (tons)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Raw Material Amount</td>
<td>7,002,546</td>
<td>6,223,906</td>
</tr>
<tr>
<td>Clinker Produced</td>
<td>4,559,351</td>
<td>3,953,284</td>
</tr>
<tr>
<td>Alternative Raw Material</td>
<td>91,511</td>
<td>49,330</td>
</tr>
<tr>
<td>Natural Additive (Additive in to cement)</td>
<td>405,582</td>
<td>335,544</td>
</tr>
<tr>
<td>Alternative Additive (Additive in to cement)</td>
<td>103,284</td>
<td>82,318</td>
</tr>
</tbody>
</table>

### White Cement Raw Material Amount (tons)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Raw Material Amount</td>
<td>1,832,166</td>
<td>2,159,281</td>
</tr>
<tr>
<td>Clinker Produced</td>
<td>1,220,427</td>
<td>1,270,124</td>
</tr>
<tr>
<td>Alternative Raw Material</td>
<td>116,729</td>
<td>164,588</td>
</tr>
<tr>
<td>Natural Additive (Additive in to cement)</td>
<td>62,614</td>
<td>67,789</td>
</tr>
<tr>
<td>Alternative Additive (Additive in to cement)</td>
<td>57,714</td>
<td>52,614</td>
</tr>
</tbody>
</table>

### Amount of Calcium Aluminate Cement (tons)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Raw Material Amount</td>
<td>49,137</td>
<td>56,075</td>
</tr>
<tr>
<td>Clinker Produced</td>
<td>32,659</td>
<td>36,587</td>
</tr>
<tr>
<td>Cement Produced</td>
<td>33,497</td>
<td>35,194</td>
</tr>
</tbody>
</table>

### Ready-Mixed Concrete (tons)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fly Ash</td>
<td>60,936</td>
<td>14,738</td>
</tr>
<tr>
<td>Slag</td>
<td>88,981</td>
<td>30,567</td>
</tr>
</tbody>
</table>

### Raw Materials Extracted From Mines (tons)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Raw Material Amount</td>
<td>7,751,317</td>
<td>7,352,027</td>
</tr>
<tr>
<td>Alternative Raw Material Ratio (%)</td>
<td>3.78&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3.78&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Alternative Fuel Ratio (%)</td>
<td>6.8&lt;sup&gt;1&lt;/sup&gt;</td>
<td>7.5&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Alternative Fuel Ratio (%)</td>
<td>0&lt;sup&gt;2&lt;/sup&gt;</td>
<td>0.7&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Conventional Energy Consumption (TJ)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Energy Consumption (TJ)</td>
<td>14,122&lt;sup&gt;1&lt;/sup&gt;</td>
<td>18,114&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Specific Heat Consumption (MJ/tons clinker)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Heat Consumption (MJ/tons clinker)</td>
<td>3,631&lt;sup&gt;3&lt;/sup&gt;</td>
<td>3,638&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Amount of Electrical Energy Production from Waste Heat (MWh/year)*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Electrical Energy Production from Waste Heat (MWh/year)*</td>
<td>44,016</td>
<td>46,504</td>
</tr>
</tbody>
</table>

### Amount of Electrical Energy Production from Waste Heat (TJ/year)*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Electrical Energy Production from Waste Heat (TJ/year)*</td>
<td>158,458</td>
<td>167,414</td>
</tr>
</tbody>
</table>

### Reduction of Greenhouse Gas Emission Due To Electrical Energy Production from Waste Heat (ton CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of Greenhouse Gas Emission Due To Electrical Energy Production from Waste Heat (ton CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>20,776</td>
<td>21,950</td>
</tr>
</tbody>
</table>

### Total Energy Consumption of Clinker Production (kWh)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Energy Consumption of Clinker Production (kWh)</td>
<td>301,987,000&lt;sup&gt;1&lt;/sup&gt;</td>
<td>347,823,000&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Total Gross Greenhouse Gas Emission (million ton CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Total Gross Greenhouse Gas Emission (million ton CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>5.19&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.77&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Gross Grey Greenhouse Gas Emission (millions of tons CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Gross Grey Greenhouse Gas Emission (millions of tons CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>3.98</td>
<td>3.49</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Gross White Greenhouse Gas Emission (millions of tons CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Gross White Greenhouse Gas Emission (millions of tons CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>1.21</td>
<td>1.24</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Gross CAC Greenhouse Gas Emission (ton CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Gross CAC Greenhouse Gas Emission (ton CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>27,040</td>
<td>30,590</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Total Net Greenhouse Gas Emission (millions of tons of CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Total Net Greenhouse Gas Emission (millions of tons of CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>5.07&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.62&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Net Grey Greenhouse Gas Emission (millions of tons CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Net Grey Greenhouse Gas Emission (millions of tons CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>3.84</td>
<td>3.35</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Net White Greenhouse Gas Emission (millions of tons CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Net White Greenhouse Gas Emission (millions of tons CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>1.21</td>
<td>1.24</td>
</tr>
</tbody>
</table>

### Amount of Scope 1 Net CAC Greenhouse Gas Emission (ton CO<sub>2</sub>/year)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Scope 1 Net CAC Greenhouse Gas Emission (ton CO&lt;sub&gt;2&lt;/sub&gt;/year)</td>
<td>27,040</td>
<td>30,590</td>
</tr>
</tbody>
</table>

---

*Grey, +Grey + White, #Grey + White + CAC, *Spot Measurement, ¤Continuous Measurement
Grey Production

## ENVIRONMENTAL PERFORMANCE INDICATORS (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1 Cementitious Gross Specific CO₂ Emission (kg CO₂/ton)</strong></td>
<td>808³</td>
<td>823³</td>
</tr>
<tr>
<td>Grey Cementitious Gross Specific CO₂ Emission</td>
<td>782</td>
<td>800</td>
</tr>
<tr>
<td>White Cementitious Gross Specific CO₂ Emission</td>
<td>904</td>
<td>897</td>
</tr>
<tr>
<td>CAC Cementitious Gross Specific CO₂ Emission</td>
<td>828</td>
<td>836</td>
</tr>
<tr>
<td><strong>Cementitious Net Specific CO₂ Emission (Scope 1) (kg CO₂/ton)</strong></td>
<td>785³</td>
<td>797³</td>
</tr>
<tr>
<td>Grey Cementitious Net Specific CO₂ Emission</td>
<td>754</td>
<td>766</td>
</tr>
<tr>
<td>White Cementitious Net Specific CO₂ Emission</td>
<td>904</td>
<td>894</td>
</tr>
<tr>
<td>CAC Cementitious Net Specific CO₂ Emission</td>
<td>828</td>
<td>836</td>
</tr>
<tr>
<td><strong>Amount of Scope 2 Gross Greenhouse Gas Emissions (ton CO₂/year)</strong></td>
<td>294,253²</td>
<td>262,010³</td>
</tr>
<tr>
<td><strong>Scope 2 Cementitious Specific CO₂ Emissions (kg CO₂/ton)</strong></td>
<td>43¹</td>
<td>44³</td>
</tr>
<tr>
<td><strong>Clinker/Cementitious Factor (%)</strong></td>
<td>88.4³</td>
<td>89.0³</td>
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</table>

**Pollutant Emissions**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dust Emissions (ton/year)</td>
<td>87.53</td>
<td>74.46⁵</td>
</tr>
<tr>
<td>Specific Dust Emissions (g/ton clinker)</td>
<td>15.11³</td>
<td>14.26⁵</td>
</tr>
<tr>
<td>Total NOₓ Emissions (ton/year)</td>
<td>7,346.66⁴</td>
<td>7,765.23⁵</td>
</tr>
<tr>
<td>Specific NOₓ Emissions (g/ton clinker)</td>
<td>1,268.32⁴</td>
<td>1,486.62⁵</td>
</tr>
<tr>
<td>Total SO₂ Emissions (ton/year)</td>
<td>67.51⁴</td>
<td>153.34⁵</td>
</tr>
<tr>
<td>Specific SO₂ Emissions (g/ton clinker)</td>
<td>11.66⁴</td>
<td>29.36⁵</td>
</tr>
<tr>
<td>Total Toxic Heavy Metal Emissions (ton/year)</td>
<td>0.22³</td>
<td>0.22⁴</td>
</tr>
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¹Grey, ²Grey + White, ³Grey + White + CAC, ⁴Spot Measurement, ⁵Continuous Measurement
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1Grey, 2Grey + White, 3Grey + White + CAC, 4Spot Measurement, 5Continuous Measurement
### SOCIAL PERFORMANCE INDICATORS

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### SOCIAL PERFORMANCE INDICATORS (Continued)

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## EMPLOYEE DEMOGRAPHICS

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### EMPLOYEE DEMOGRAPHICS (Continued)

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INDEPENDENT ASSURANCE STATEMENTS
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STATEMENT OF CONFORMITY

no VWFP-0015

Following the sample checks made by the auditors of this Certification Body both on the documents presented (WFP Study – ÇİMSA Water Footprint Inventory Report, – rev.01 of 05/02/2020), and on the site visit performed on Organization ÇİMSA CIMENTO SAN. VE TİC. A.Ş., on 30/01/2020 & 02/02/2019,

WE HEREBY DECLARE THAT:

“The Direct Water Footprint Inventory Analysis (gate-to-gate)”

related to the following organization:

ÇİMSA CIMENTO SAN. VE TİC. A.Ş.

calculated by the following organisation:

ÇİMSA CIMENTO SAN. VE TİC. A.Ş.
Allianz Tower Kıpıkaklkok Mah.
Kayrakçı Cad. No: 1 Kat: 23
34750 Ataşehir/Istanbul

IS IN LINE WITH THE REQUIREMENTS OF THE STANDARD ISO 14046:2014

and its amount is reported in annex 1.

Date of issue: 12/03/2020

Laura Severino
Head of Certification Innovation & Sustainability

RINA Services S.p.A.
Via Corsica 12 – 16128 Genova Italy

Form: WFP_11 (03.2018)
ANNEX I

Direct Water Footprint Inventory Analysis of the Organization:

- Head Quarter (Istanbul)
- Mersin Clinker and Cement Production Facility
- Eskisehir Clinker and Cement Production Facility
- Kayseri Clinker and Cement Production Facility
- Nigde Clinker and Cement Production Facility
- Afyon Clinker and Cement Production Facility
- Ankara Cement Grinding Packaging Facility

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<th>Drawn Water (Well and Main Water)</th>
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<th>Consumed Water Footprint (m³)</th>
<th>Polluted Water Footprint (m³)</th>
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Date of issue: Gerova, 12/03/2020

Form: WFP_11 (03.2018)
Independent Assurance Statement

To the Board of Directors of ÇİMSA Çimento San. ve Tic. A.Ş., Istanbul, Turkey

This Assurance Statement (hereinafter ‘Statement’) is intended solely for the management of ÇİMSA Çimento San. ve Tic. A.Ş. (hereinafter ‘ÇİMSA’ or ‘the Company’) for the purpose of reporting on the selected information in its Integrated Report 2019 (hereinafter ‘the Report’) that has been prepared by the Company for the year ended 31 December 2019.

Subject Matter Information and Applicable Criteria
We were engaged by the Company to provide limited assurance on the items listed below, together the ‘Selected Information’ as defined by the Global Cement and Concrete Association (GCCA) Sustainability Guidelines for the Monitoring and Reporting of Emissions from Cement Manufacturing, and Monitoring and Reporting of CO2 from Cement Manufacturing (World Business for Council for Sustainable Development – Cements Sustainability Initiative ‘WBSCD – CSI’ CO2 and Energy Protocol version 3.1).

The Scope of Our Assurance
The scope of our assurance is in relation to the indicators that has been prepared based on the CSI CO2 and Energy Protocol, CSI Emissions Protocol, arising from the grey cement, white cement and CAC production processes from the relevant on-site operations in Afyon, Eskekhehir, Mersin, Kayseri, Kipple and Ankara - Turkey for the 2019 reporting year listed below (together the ‘Selected Information’):

- Amount of Scope 1 Total Gross Greenhouse Gas Emissions (million tons CO2/year)
- Scope 1 Cementitious Specific CO2 Emissions (kg CO2/ton)
- Amount of Scope 2 Gross Greenhouse Gas Emissions (ton CO2/year)
- Scope 2 Cementitious Specific CO2 Emissions (kg CO2/ton)
- Pollutant Emissions

Our assurance statement must be read in conjunction with GCCA Sustainability Guidelines for the Monitoring and Reporting of CO2 from Cement Manufacturing (WBSCD – CSI CO2 and Energy Protocol version 3.1) and GCCA Sustainability Guidelines for the Monitoring and Reporting of Emissions from Cement Manufacturing.

The Company’s Responsibilities
The Company’s management is responsible for the preparation, collection and presentation of the Selected Information in accordance with the GCCA Sustainability Guidelines for the Monitoring and Reporting of CO2 from Cement Manufacturing (WBSCD – CSI CO2 and Energy Protocol version 3.1) and GCCA Sustainability Guidelines for the Monitoring and Reporting of Emissions from Cement Manufacturing. In addition, the Company’s management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company’s management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

Our Responsibilities
We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised) and International Standard for Assurance Engagements ISAE 3410, Assurance Engagements on Greenhouse Gas Statements. These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethical requirements of the ISAE Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control ISQC 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

The procedures selected depend on the practitioner’s judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information on site covering ÇİMSA’s Kayseri and Mersin factories as well as off-site review of the Selected Information pertaining to the Company’s other locations in Turkey, against evidence, on a sample basis;
3. Undertook substantive testing, on a sample basis, of the Selected Information;
4. Used the Company’s internal documentation to evaluate and measure the Selected Information;
5. Evaluated the design and implementation of key processes and controls over the Selected Information;
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period;
7. Evaluated the disclosure and presentation of Selected Information in the Report.

Our Conclusion
As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2019 is not prepared in all material respects in accordance with the GCCA Sustainability Guidelines for the Monitoring and Reporting of CO2 from Cement Manufacturing (WBSCD – CSI CO2 and Energy Protocol version 3.1) and GCCA Sustainability Guidelines for the Monitoring and Reporting of Emissions from Cement Manufacturing.

We permit this report to be disclosed in ÇİMSA Çimento San. ve Tic. A.Ş.’s Integrated Report for the year ended 31 December 2019, to enable the management of ÇİMSA Çimento San. ve Tic. A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. We do not accept or assume responsibility to anyone other than ÇİMSA Çimento San. ve Tic. A.Ş. for our work or this report except where terms are expressly agreed between us in writing.

for Güney Bağışsız Denetim ve Serbest Muhasebeci Mali Müdürlüğü A.Ş.
A member firm of Ernst & Young Global Limited

Zeynep Dikmen Özdemir, SMMM/GTM
Partner
İstanbul, 16.03.2020


“For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.”

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<td>There are no incidents of discrimination during the reporting period.</td>
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<td>407-1</td>
<td>During the reporting period, no case was found to be under the risk of freedom of association and collective bargaining at Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.</td>
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<td>GRI 408: CHILD LABOR 2016</td>
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<td>During the reporting period, no risk of child labor was observed in Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.</td>
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<td>GRI 409: FORCED OR COMPULSORY LABOR 2016</td>
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<td>During the reporting period, no risk of forced or compulsory labor was observed in Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.</td>
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<td></td>
<td>416-2</td>
<td>No such case occurred during the reporting period.</td>
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<td>GRI 417: MARKETING AND LABELING 2016</td>
<td>417-1</td>
<td>100% of Çimsa products are labeled according to legal regulations.</td>
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<td>417-2</td>
<td>No such case occurred during the reporting period.</td>
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<td>SECTION OF ADDITIONAL INFORMATION</td>
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<tr>
<td>Businesses should support and respect the protection of internationally proclaimed human rights; and</td>
<td>Çimsa constantly monitors compliance with national and international norms regulating human rights, in particular the UN Declaration of Human Rights, and is passionate about the necessary practices.</td>
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<td>Make sure that they are not complicit in human rights abuses.</td>
<td>Çimsa supports the protection of human rights in the business world.</td>
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<td>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</td>
<td>Çimsa has accepted the freedom of unionization of its employees and the right to collective bargaining and is an exemplary company in Turkey in this regard. As of the date of the report, 635 blue-collar employees are included in the collective bargaining agreement. At the reporting period 55% of Çimsa employees are union members. The union that the employees are affiliated with is T. Çimse-İş Union.</td>
<td>Human Resources</td>
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<td>The elimination of all forms of forced and compulsory labour;</td>
<td>Equality of opportunity and diversity are the building blocks of the Çimsa human resource policy. Çimsa also opposes all forms of discrimination, forced and forced labor and child labor in the world and in Turkey.</td>
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<td>The effective abolition of child labour; and</td>
<td>Çimsa is against child labor and supports all initiatives taken in the business world regarding child labor.</td>
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<td>The elimination of discrimination in respect of employment and occupation.</td>
<td>Çimsa is against discrimination in recruitment and working processes and supports the initiatives taken in the business world regarding discrimination.</td>
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<td>Businesses should support a precautionary approach to environmental challenges;</td>
<td>Çimsa intensively works on environment-related projects and interaction with stakeholders.</td>
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<td>Environmental Management</td>
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<td>Undertake initiatives to promote greater environmental responsibility; and</td>
<td>Çimsa supports numerous activities and events to increase awareness of environment and environmental problems in our country, and carries out projects to minimize the environmental impacts within the scope of the production cycle.</td>
<td>Climate and Energy</td>
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<td>Encourage the development and diffusion of environmentally friendly technologies.</td>
<td>Çimsa supports the development and diffusion of environmentally friendly technologies by using the most up-to-date technologies widely within the scope of production and trade cycle.</td>
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<td>Businesses should work against corruption in all its forms, including extortion and bribery.</td>
<td>Çimsa supports full, accurate and effective fight against corruption and prevention of terrorism financing within the frame of related legislation and Company policies.</td>
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CONTACT

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş.

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