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

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated financial statements for the interim period of 1 January - 31 March 2014

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

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Table of contents

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated financial position as at 31 March 2014
(Currency – Turkish Lira (TL))

	Note	(Unaudited) Current Period 31 March 2014	(Audited) Prior Period 31 December 2013
ASSETS			
Current Assets		**447.296.444**	**369.971.953**
Cash and cash equivalents	5	71.407.063	39.925.027
Trade receivables	6	235.594.672	213.169.904
Trade receivables from third parties		235.594.672	213.169.904
Other receivables	8	367.104	628.630
Other receivables from related parties	*27*	37.878	73.337
Other receivables from third parties		329.226	555.293
Inventories	9	123.654.544	105.109.616
Prepaid expenses	10	13.207.066	4.976.859
Assets related to the current period taxes	25	743.148	949.139
Other current assets	17	2.322.847	5.212.778
Non-current assets		**1.069.683.851**	**1.070.037.639**
Other receivables	8	2.735.992	2.683.824
Available for sale financial investments	31	56.978	56.978
Investments accounted under equity method	3	175.310.566	172.716.299
Property, plant and equipment	11	712.642.167	716.115.307
Intangible assets		168.242.723	168.703.401
Goodwill	12	148.119.252	148.119.252
Other intangible assets	13	20.123.471	20.584.149
Prepaid expenses	10	857.928	902.265
Deferred tax assets	25	5.493.607	5.173.155
Other non-current assets	17	4.343.890	3.686.410
TOTAL ASSETS		**1.516.980.295**	**1.440.009.592**

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

(Convenience translation of the consolidated financial statements originally issued in Turkish (See Note 2.8))

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated financial position as at 31 March 2014
(Currency – Turkish Lira (TL))

	Note	(Unaudited) Current Period 31 March 2014	(Audited) Prior Period 31 December 2013
LIABILITIES			
Current liabilities		**427.883.798**	**223.300.845**
Short-term borrowings	7	217.776.512	60.317.314
Current portion of long-term borrowings	7	19.654.118	21.250.292
Trade payables	6	93.421.930	114.409.467
Trade payables to related parties	*27*	4.175.791	839.640
Trade payables to third parties		89.246.139	113.569.827
Employee benefit obligations	16	4.952.162	3.782.047
Other payables	8	69.821.840	5.944.682
Other payables to related parties	*27*	57.600.984	485.249
Other payables to third parties		12.220.856	5.459.433
Derivative financial liabilities	15/30	2.461.652	3.053.361
Deferred income	10	3.853.757	2.904.072
Current income tax liability	25	9.162.251	6.613.209
Short-term provisions	14	4.786.117	4.354.566
Short-term provisions for employee benefits	16	905.388	905.388
Other short-term provisions		3.880.729	3.449.178
Other current liabilities	17	1.993.459	671.835
Non-current liabilities		**82.376.129**	**90.188.815**
Long-term borrowings	7	32.685.893	41.442.507
Long-term provisions	14	22.701.187	21.834.367
Long-term provisions for employee benefits	16	18.570.024	17.913.207
Other long-term provisions		4.131.163	3.921.160
Deferred tax liability	25	26.989.049	26.911.941
SHAREHOLDERS' EQUITY		**1.006.720.368**	**1.126.519.932**
Equity Attributable to Equity Holders of the Parent	18	**961.032.886**	**1.080.935.629**
Share capital		135.084.442	135.084.442
Adjustments to share capital		41.741.516	41.741.516
Share premiums		30.131	30.131
Other comprehensive income/expense to be reclassified to profit or loss		4.007.183	3.338.621
Foreign currency translation reserve		5.426.822	5.009.558
Cash flow hedge reserve		(1.419.639)	(1.670.937)
Other comprehensive income/expense not to be reclassified to profit or loss		(1.495.506)	(1.218.106)
Actuarial losses / gains on defined benefit plans		(1.495.506)	(1.218.106)
Restricted reserves		132.289.960	117.376.637
Retained earnings		613.781.619	482.271.571
Net profit for the year		35.593.541	302.310.817
Non-controlling interests		**45.687.482**	**45.584.303**
TOTAL LIABILITIES AND EQUITY		**1.516.980.295**	**1.440.009.592**

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

(Convenience translation of the consolidated financial statements originally issued in Turkish (See Note 2.8))

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of comprehensive income for the interim period ended 31 March 2014
(Currency – Turkish Lira (TL))

	Note	(Unaudited) Current Period 1 January- 31 March 2014	Restated (Unaudited) Prior Period 1 January- 31 March 2013
OPERATING INCOME			
Sales	19	225.464.479	189.894.374
Cost of sales (-)	19/24	(167.358.758)	(157.047.621)
GROSS PROFIT		**58.105.721**	**32.846.753**
General and administrative expense (-)	20/24	(11.327.957)	(9.919.336)
Marketing, selling and distribution expense (-)	20/24	(1.545.811)	(1.621.799)
Other operating income	21	10.033.030	3.037.001
Other operating expenses (-)	21	(9.675.789)	(4.254.031)
OPERATING PROFIT		**45.589.194**	**20.088.588**
Income from investment activities	22	1.562.870	2.590.865
Expense from investment activities (-)	22	(364.806)	(63.007)
Profit/(loss) from investments accounted by equity method	3	2.594.267	11.565.529
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		**49.381.525**	**34.181.975**
Financial expenses (-)	23	(4.548.817)	(7.276.132)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**44.832.708**	**26.905.843**
Tax income / (expense) from continuing operations	25	(9.154.072)	(3.158.099)
- Current period tax expense		(9.275.338)	(3.398.436)
- Deferred tax income / (expense)		121.266	240.337
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**35.678.636**	**23.747.744**
PROFIT FOR THE PERIOD		**35.678.636**	**23.747.744**
Profit/loss for the period attributable to			
- Non-controlling interests		85.095	(767.850)
- Equity holders of the parent		35.593.541	24.515.594
Earnings per share			
Earnings per share from continuing operations	26	0,0026	0,0018

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

(Convenience translation of the consolidated financial statements originally issued in Turkish (See Note 2.8))

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of other comprehensive income for the interim period ended 31 March 2014
(Currency – Turkish Lira (TL))

	Note	(Unaudited) Current Period 1 January- 31 March 2014	Restated (Unaudited) Prior Period 1 January- 31 March 2013
PROFIT FOR THE PERIOD		**35.678.636**	**23.747.744**
Items to be reclassified to profit or loss		**699.424**	**19.322.092**
Foreign currency translation reserve		448.126	(445.291)
Available for sales financial assets revaluation reserve		-	20.994.839
Cash flow hedge reserve		314.122	-
Tax income/(expense)	25	(62.824)	(1.227.456)
Items not to be reclassified to profit or loss		**(290.178)**	**(200.650)**
Actuarial gains/(losses) on defined benefit plans		(362.722)	(250.813)
Tax income/(expense)	25	72.544	50.163
OTHER COMPREHENSIVE INCOME (AFTER TAX)		**409.246**	**19.121.442**
TOTAL COMPREHENSIVE INCOME		**36.087.882**	**42.869.186**
Total comprehensive income attributable to			
-Non-controlling interests		103.179	(801.602)
-Equity holders of the parent		35.984.703	43.670.788

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

(Convenience translation of consolidated financial statements originally issued in Turkish (See Note 2.8))

Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

Consolidated statement of changes in equity for the interim period ended 31 March 2014
(Currency – Turkish Lira (TL))

					Items to be reclassified to profit or loss			Items not to be reclassified to profit or loss		Retained earnings				
	Note	Share Capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Cash flow hedge reserve	Available for sales financial assets revaluation reserve	Actuarial gains/(losses) on defined benefit plans	Restricted reserves	Retained earnings	Net profit for the period	**Equity attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
(Unaudited)														
1 January 2013 (Restated)		**135.084.442**	**41.741.516**	**30.131**	**3.402.402**	**-**	**110.150.696**	**(634.622)**	**108.244.929**	**475.287.135**	**115.352.589**	**988.659.218**	**44.761.793**	**1.033.421.011**
Transfer from retained earnings	18	-	-	-	-	-	-	-	9.131.708	106.220.881	(115.352.589)	-	-	-
Net profit for the period		-	-	-	-	-	-		-		24.515.594	24.515.594	(767.850)	23.747.744
Other comprehensive income/(expense)		-	-	-	(445.291)	-	19.767.383	(166.898)	-		-	19.155.194	(33.752)	19.121.442
Total comprehensive income/(expense)		**-**	**-**	**-**	**(445.291)**	**-**	**19.767.383**	**(166.898)**	**-**	**-**	**24.515.594**	**43.670.788**	**(801.602)**	**42.869.186**
Dividends to be paid		-	-	-	-	-	-	-	-	(98.071.305)	-	(98.071.305)	-	(98.071.305)
31 March 2013 (Restated)	18	**135.084.442**	**41.741.516**	**30.131**	**2.957.111**	**-**	**129.918.079**	**(801.520)**	**117.376.637**	**483.436.711**	**24.515.594**	**934.258.701**	**43.960.191**	**978.218.892**
(Unaudited)														
1 January 2014		**135.084.442**	**41.741.516**	**30.131**	**5.009.558**	**(1.670.937)**	**-**	**(1.218.106)**	**117.376.637**	**482.271.571**	**302.310.817**	**1.080.935.629**	**45.584.303**	**1.126.519.932**
Transfer from retained earnings	18	-	-	-	-	-	-	-	14.913.323	287.397.494	(302.310.817)	-	-	-
Net profit for the period		-	-	-	-	-	-	-	-	-	35.593.541	35.593.541	85.095	35.678.636
Other comprehensive income/(expense)		-	-	-	417.264	251.298	-	(277.400)	-	-	-	391.162	18.084	409.246
Total comprehensive income/(expense)		**-**	**-**	**-**	**417.264**	**251.298**	**-**	**(277.400)**	**-**	**-**	**35.593.541**	**35.984.703**	**103.179**	**36.087.882**
Dividends to be paid (*)		-	-	-	-	-	-	-	-	(155.887.446)	-	(155.887.446)	-	(155.887.446)
31 March 2014	18	**135.084.442**	**41.741.516**	**30.131**	**5.426.822**	**(1.419.639)**	**-**	**(1.495.506)**	**132.289.960**	**613.781.619**	**35.593.541**	**961.032.886**	**45.687.482**	**1.006.720.368**

(*) The decision to distribute dividend of TL 155.887.446 from 2013 year profit was unanimously approved by the Ordinary General Assembly held on 27 March 2014 and the payment was completeded by distributing the first part of TL 98.962.006 on 28.03.2014, and the remaining on 01.04.2014.

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

(Currency - Turkish Lira (TL) unless otherwise indicated)

	Note	(Unaudited) Current Period 1 January - 31 March 2014	Restated (Unaudited) Prior Period 1 January - 31 March 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(8.718.437)**	**-10.886.324**
Profit before tax from continuing operations (I)		44.832.708	26.905.843
Adjustments to reconcile net profit/(loss) for the period (II)		**15.005.983**	**7.770.289**
Adjustment related to depreciation and amortization expense	11/13	14.018.521	12.756.956
Adjustment related to gain on sale of fixed assets	11/13	(1.038.503)	(93.623)
Adjustment related to retained profits of subsidiaries	3	(2.594.267)	(11.565.529)
Adjustment related to allowance for doubtful receivable	6/8	10.124	598.423
Adjustment related to provision for inventories	9	(8.333)	(161.599)
Adjustment related to provision for litigations	14	431.551	59.353
Adjustment related to recultivation provision	14	181.253	229.065
Adjustment related to provision for unlawful occupation	14	28.750	26.750
Adjustment related to retirement pay provision	16	1.480.723	1.082.241
Adjustment related to seniority provision	16	28.702	106.851
Adjustment related to unpaid vacation liability	16	376.790	183.974
Adjustment related to interest expense	23	3.003.186	7.087.374
Adjustment related to interest income	21	(1.795.696)	(687.914)
Adjustment related to dividend income	22	-	(2.153.431)
Adjustment related to fair value (increase) / decrease of derivative financial instruments	15/30	(277.587)	301.398
Unrealized foreign exchange (gains) / losses on financial borrowings	23	1.160.769	-
Changes in working capital (III)		**(56.697.638)**	**(10.651.709)**
Short-term trade receivables		(22.466.006)	6.588.645
Inventories		(18.536.595)	(1.065.468)
Other receivables / current assets / prepaid expenses / assets related to current period taxes		(4.872.759)	(4.412.975)
Other long term receivables / non-current / prepaid expenses		(665.311)	(1.311.174)
Short term trade payables		(20.987.537)	(15.792.599)
Other short term payables/liabilities/ employee benefit obligations		10.830.570	5.341.862
Cash flows from operations (I + II + III)		**3.141.053**	**24.024.423**
Interest paid		(4.888.335)	(8.235.409)
Interest received		1.795.696	687.914
Tax penalty liabilities paid in accordance with law no. 6111	8	(437.428)	(405.524)
Unused vacation liability paid	16	(43.641)	-
Retirement pay provision paid	16	(1.541.632)	(960.134)
Seniority provision paid	16	(17.854)	(23.750)
Taxes paid	25	(6.726.296)	(4.201.196)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(7.996.977)**	**(12.907.291)**
Purchases of property, plant and equipment	11	(10.215.407)	(13.203.025)
Proceeds from sales of property, plant and equipment	11/22	2.230.535	294.735
Purchases of intangible assets	13	(12.105)	(6.501)
Cash provided from sale of shares	6	-	7.500
C. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**48.197.450**	**(442.316)**
Proceeds from borrowings		258.074.000	152.009.000
Repayment of borrowings		(110.235.127)	(152.455.899)
Repayment of financial lease liabilities		(8.083)	-
Dividend paid		(98.962.006)	-
Curreny translation differences (net)		(671.334)	4.583
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**31.482.036**	**(2.463.283)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**39.925.027**	**17.601.845**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**71.407.063**	**15.138.562**

(Currency - Turkish Lira (TL) unless otherwise indicated)

1. Organization and nature of operations

General

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

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

A certain amount of the shares of the Company is traded on Borsa İstanbul A.Ş. (BIST) (Note: 18). 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 for the first quarter of the year 2014 (1 January 2014 – 31 March 2014).

The upper limit of registered share capital of the Company is TL 200.000.000 (31 December 2013- TL 200.000.000)

Subsidiaries and joint ventures and associates

As of 31 March 2014 and 31 December 2013, the information related to the Company's subsidiaries and joint venture is as follows:

				Effective shareholding of the Company	
Entity	**Date of acquisition**	**Location of the operation**	**Principal activities**	**31 March 2014**	**31 March 2013**
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12 October 2005	NCTR	Cement sales and marketing	%99,9	%99,9
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	8 February 2006	Romania	Cement sales and marketing	%100	%99,9
Çimsa Cementos Espana, S.A.U. (Cementos Espana,S.A.U.) (*)	7 July 2006	Spain	Sales of bulk and bagged cement to white cement market	%100	%100
Çimsa Mersin Serbest Bölge Şubesi (*)	12 December 2007	Mersin	Export of cement	%100	%100
Regent Place Limited (Regent) (*)	21 May 2008	British Virgin İslands	Financial investment and holding company	%100	%100
OOO Çimsa Rus CTK (OOO Rusya) (*)	16 July 2008	Russia	White cement packaging, sales and marketing	%100	%100
Çimsa Adriatico Srl (*) (**)	9 February 2010	Italy	Cement sales and marketing	% 70	% 60
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31 May 2012	Turkey	Cement production and sales	% 51	% 51

(*) Full consolidation method has been applied.
(**) With the Board of Directors decision dated 25 April 2013 and numbered 1438, 10% shares of Çimsa Adriatico Srl which were owned B. Pacorini Srl were acquired by Çimsa Çimento Sanayi ve Ticaret Anonim on 27 May 2013. As a result of this transaction, Çimsa's share in Çimsa Adriatico has increased from 60% to 70%.

As a result of the the share transfer agreement signed with PARCIBSAS and its 100% shareholder Ciments Français S.A. (Ciments Français) on 15 February 2012, the Company purchased 153.000.000 shares of Afyon Çimento Sanayii Türk A.Ş., with a nominal value of TL 1.530.000, which represent 51% of its share capital for TL 57.530.000 on 31 May 2012. As of 31 March 2014, Afyon Çimento is controlled by the Çimsa. 49% of the shares of Afyon Çimento are traded at BIST.

The Company's associate, Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. (Exsa) and joint venture, Cement Sales North Gmbh (CSN) are consolidated by the equity method.

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

1. Organization and nature of operations (continued)

Nature of activities

The Group is engaged in production and sales of cement, clinker and ready mix concrete.

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 6 May 2014. 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 interim period ended 31 March 2014 is 600 (31 December 2013 – 610) and white collar employees (not a union member) is 447 (31 December 2013 – 441) and the number of employees working in subsidiaries and joint venture located abroad is 43 (31 December 2013 - 43).

2. Basis of presentation of financial statements

2.1 Basis of presentation

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").

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

The functional and presentation currency of the Company is TL.

Functional currency of Çimsa Cement Free Zone Limited is United States Dollar (USD), 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 Sı Distribute Srl is New Romanian Lei and functional currency of OOO Çimsa – Rus Ctk is Ruble. Based on Turkish Accounting Standard 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 is 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", prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, the assessment of financial assets and liabilities in accordance with TAS 39, the accounting of TFRS 3 "Business Combinations" and the accounting of derivative financial instruments and cash flow hedge reserves in accordance with TAS 39.

2. Basis of presentation of financial statements (continued)

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 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.

2.4 Summary of Significant Accounting Policies

Basis of consolidation

As of 31 March 2014, the consolidated financial statements include the financial statements of Çimsa and its subsidiaries listed at Note 1. 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 uniform accounting policies for similar transactions and events and are prepared for the same chart of accounts of 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, Çimsarom, Regent, OOO Russia and Afyon Çimento Türk Anonim Şirketi are fully consolidated in accordance with TAS 10 "Consolidated Financial Statements".

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

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.

Joint ventures and associates

CSN is joint venture controlled by Çimsa and other shareholder, with a participation ratio of 50%.

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through the power to exercise voting rights (relating to shares in the companies as a result of ownership interest directly and indirectly by itself whereby exercising control over the voting rights of (but does not have the economic benefit of) the shares held by them. The Group's interest in joint ventures is accounted by equity method.

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 and CSN'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.

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)

2.4 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:

	Useful lives
Land and land improvements	8–50 years
Buildings	10–50 years
Machinery and equipment	3–25 years
Furniture and fixtures	3–50 years
Motor vehicles	5–14 years
Other	5–10 years
Leasehold improvements	Lease period

Intangible assets

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

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

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 formining 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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

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

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, 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.

Impairment on non-financial assets

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

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

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

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

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

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.

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 profit or 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 TFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39 Financial Instruments:

Recognition and Measurement, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 TFRS 3.

(Currency - Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Foreign currency transactions

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

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

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

Date	USD /TL	EUR/TL
31 March 2014	2,1898	3,0072
31 December 2013	2,1343	2,9365

Borrowing costs

Borrowing costs in 2008 and before are expensed in the period they occurred. Since 1 January 2009, 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 capitaliz ation 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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Provisions, contingent assets and liabilities (continued)

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

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

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

Income tax

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

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

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

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

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

Provisions for employee benefits / retirement pay provision:

a) Defined benefit plan

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Provisions for employee benefits / retirement pay provision: (continued)

a) Defined benefit plan (continued)

As indicated in Note 16 in detail, in the accompanying financial statements, 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 Turkish Accounting Standard No. 19 (revised) "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.

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.

Leasing

The Group 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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

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.

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

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- 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.

Rendering of services

Solid waste disposal revenue from rendering services is recognized by reference to the stage of completion when it can be measured reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

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

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.
If such an event were to arise, the Group restates its financial statements accordingly.

Trade and settlement date accounting

All purchases and sales of financial assets are recognized on the trade date, in other words, the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame generally established by regulation or convention in the market place.

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.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Fair value of financial instruments

The methods and assumptions in fair value estimation of the financial instruments of the Group are explained in Note 33.

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.

Available for sale financial assets

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

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

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

Impairment on financial assets

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

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

For loans and receivables, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows calculated using effective interest rate. The Group follows its receivables separately. The Group also includes a financial asset to the financial assets with the same risk properties and assesses for impairment as a whole in case there is not a specific and separate event determined that causes impairment. Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account.

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Fair value of financial instruments (continued)

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 an objective evidence that the Group will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

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.

Financial liabilities

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

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

Bank borrowings

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

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

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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.

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.

2.5 Comparative Information

The consolidated 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. In the current year, the Group made certain reclassi-fications to previous period financial statements in order to conform to the current year's presentation. There is no profit/loss effect of such reclassifications.

Pursuant to the decree taken in the CMB's meeting dated 7 June 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the periods ended after 31 March 2013. Various classifications were made in the Group's consolidated statement of financial position and consolidated statement of profit or loss pursuant to these formats which have taken effect. (Note: 35)

2.6 Changes in Turkish Financial Reporting Standards (TFRS)

The new and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).

New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the consolidated statement of financial position that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the consolidated statement of financial position that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in the statement of other comprehensive income. Items that could be reclassified (or 'recycled') to the statement of profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. Since the Group recognizes the actuarial gain and loss in the other comprehensive income statement, the amendment of the standard with regards to the accounting of actuarial gain/loss did not have any impact on the financial position or performance of the Group. However based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the other short term liabilities has been retrospectively reclassified to long term provisions.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. The Group applied the relevant standard in its consolidated financial statements as at 31 March 2014 and accounted Cement Sales North Gmbh (CSN) which is a joint venture (Note: 3) by equity method.

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows: (continued)

TFRS 10 Consolidated Financial Statements

TFRS10, replaces the parts of previously existing TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment will not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Group applied the relevant standard in its consolidated financial statements as of 31 March 2014 and accounted Cement Sales North Gmbh (CSN) which is a joint venture (Note: 3) by equity method.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and the Group has presented these disclosures in Note 3.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. The Group has presented these disclosures in Note 33.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation did not have a significant impact on the financial position or performance of the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons POA has also amended application guidance of TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

Improvements to TFRSs (continued)

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

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

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

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

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

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

IFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Standard is not applicable for the Group and the Group does not expect that the standard will have a significant impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have a significant impact on the financial position or performance of the Group.

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:
Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations
Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments
The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement
As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations
The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement
The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

Improvements to IFRSs (continued)

Annual Improvements to IFRSs – 2011–2013 Cycle (continued)

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that the amendments will have a significant impact on the financial position or performance of the Group.

IFRS 14 - interim standard on regulatory deferral accounts.

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 35 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occured. These resolutions are not expected to have an impact on the financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions are not expected to have an impact on the financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined;

the subsidiary holding the equity based financial instruments of the parent,

the associates or joint ventures holding the equity based financial instruments of the parent

2. Basis of presentation of financial statements (continued)

2.6 Changes in Turkish Financial Reporting Standards (TFRS) (continued)

Resolutions promulgated by the Public Oversight Authority (continued)

2013-4 Accounting of Cross Shareholding Investments (continued)

the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Group.

2.7 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. The details about reserve for employee benefits are provided in 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 provision for doubtful receivables is mentioned in the Note 6.

c) The Company 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 and 13).

d) In determining of provision for litigations, the Company considers the probability of legal cases to be resulted against the Company and in case it is resulted against the Company considers its consequences based on the assessments of legal advisor. The Company management makes its best estimates using the available data are provided in 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. As a result of these works, the inventories with the net realizable values below the costs are written down as disclosed in the Note 9.

f) The Company performs its impairment analysis on assets by using discounted cash flows. In these analyses, there are certain an assumption about discount rates used and Company's future operations. As a result of these analyses, the Company's management has concluded that there is no impairment in the non-financial assets (Note 12).

g) The Company makes assumptions based on views of the technical personnel in the calculation of provision for recultivation of exploitation lands. As a result of these analyses, assessments of the provision for recultivation of exploitation lands are provided in Note 14.

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

As of March 31, 2014, 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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

3. Investments accounted by equity method

Investments	Main operating activity	31 March 2014 Effective ownership (%)	31 March 2014 Carrying net book value	31 December 2013 Effective ownership (%)	31 December 2013 Carrying net book value
Exsa	Investment property and financial instruments	32,875	175.310.566	32,875	172.716.299
CSN (*)	White cement marketing	50,00	-	50,00	-
			175.310.566		172.716.299

(*) As of 31 March 2014, Çimsa's share of losses of CSN exceeds its interest in CSN. Since the Company does not have any legal or constructive obligations on behalf of CSN, CSN is carried at zero value in the consolidated financial statements.

The assets and liabilities of Exsa, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 March 2014 and 31 December 2013 and revenue, expense and net profit for the interim periods ending 31 March 2014 and 31 March 2013 are as follows:

	31 March 2014	31 December 2013
Assets	550.161.847	530.195.753
Liabilities	(16.897.769)	(4.822.981)
Net assets	533.264.078	525.372.772
Group's share	175.310.566	172.716.299
Increase/(decrease) in revaluation fund, net (*)	-	(76.188.922)
Group's share	-	(25.047.108)

(*) It is disclosed under other comprehensive income/ (expense).

	1 January - 31 March 2014	1 January - 31 March 2013
Revenues	11.329.013	43.285.172
Expenses	(3.437.708)	(8.104.856)
Net profit for the period	7.891.305	35.180.316
Group's share in net profit	2.594.267	11.565.529

The assets and liabilities of CSN, which is consolidated by the equity method, calculated by using the effective percentage of ownership as of 31 March 2014 and 31 December 2013 and revenue, expense and net profit for the interim period ending 31 March 2014 and 31 March 2013 are as follows:

	31 March 2014	31 December 2013
Assets	4.466.648	5.159.718
Liabilities	(5.059.551)	(5.688.840)
Net assets	(592.903)	(698.370)
Group's share	(296.452)	(349.185)

	1 January - 31 March 2014	1 January - 31 March 2013
Revenues	3.388.266	2.767.037
Expenses	(3.301.850)	(2.886.810)
Net profit for the period	86.417	(119.773)
Group's share in net profit	43.208	(59.886)

(Currency - Turkish Lira (TL) unless otherwise indicated)

3. Investments accounted by equity method (continued)

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

	31 March 2014			
Subsidiary	Non-controlling interest %	Gain/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Afyon Çimento Sanayi T.A.Ş.	%49	199.093	41.950.696	-

	31 March 2013			
Subsidiary	Non-controlling interest %	Gain/losses attributable to non-controlling interests	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Afyon Çimento Sanayi T.A.Ş.	%49	(741.472)	40.254.076	-

Condensed financial information of subsidiaries after consolidation adjustments and before eliminations is as follows:

Condensed balance sheet information:

	31 March 2014	31 December 2013
Cash and cash equivalents	3.782.003	3.362.740
Other current assets	20.772.168	19.989.932
Non-current assets	75.927.343	76.360.419
Total assets	100.481.514	99.713.091
Short term borrowings	85.346	84.582
Other current liabilities	8.536.764	8.344.244
Other non-current liabilities	6.253.924	6.050.837
Total liabilities	14.876.034	14.479.663
Total equity	85.605.480	85.233.428

Condensed income statement information:

	31 March 2014	31 March 2013
Revenue	13.942.017	8.159.066
Gross profit	1.528.890	(876.999)
Operating profit/(loss)	345.487	(1.860.732)
Net financial income/(expense)	(9.796)	(4.761)
Profit/(loss)before tax	335.691	(1.865.493)
Net profit for the period	406.312	(1.513.208)

Condensed cash flow information:

	31 March 2014	31 March 2013
Cash flows from operating activities	991.500	(1.117.279)
Cash flows from investing activities	(558.919)	(108.553)
Cash flows from financing activities (excluding dividends)	(9.032)	(81.094)
Net decrease in cash and cash equivalents	423.549	(1.306.926)

(Currency - Turkish Lira (TL) unless otherwise indicated)

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 in Note 19.

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 TFRS 8. The transfer prices between segments are prepared on the same basis with third parties. For the interim periods ended 31 March 2014 and 31 March 2013, the information about the Group's segments consists of sales and profits obtained from cement (including clinker and agregate) and ready mix concrete.

1 January - 31 March 2014	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	195.449.005	49.537.708	-	(19.522.234)	225.464.479
Cost of sales (-)	(131.755.089)	(55.125.903)	-	19.522.234	(167.358.758)
Gross profit/(loss)	63.693.916	(5.588.195)	-	-	58.105.721
General administrative, marketing selling distribution expenses (-)	(8.978.184)	-	(3.895.584)	-	(12.873.768)
Other operating income/expenses (-), net	609.914	593.481	(846.154)	-	357.241
Operating profit/ (loss)	55.325.646	(4.994.714)	(4.741.738)	-	45.589.194
Income from investment activities	67.059	1.495.811	-	-	1.562.870
Expenses from investment activities (-)	(3.994)	(360.812)	-	-	(364.806)
Profit/loss from invetments accounted by equity method	-	-	2.594.267	-	2.594.267
Operating profit/(loss) before financial income/expense	55.388.711	(3.859.715)	(2.147.471)	-	49.381.525
Financial income/(expenses), (net)		-	(4.548.817)	-	(4.548.817)
Profit/(loss) before tax from continuing operations	55.388.711	(3.859.715)	(6.696.288)	-	44.832.708
Tax income/(expense) from continuing operations	-	-	(9.154.072)	-	(9.154.072)
Current period tax expense (-)	-	-	(9.275.338)	-	(9.275.338)
Deferred tax income/expense	-	-	121.266	-	121.266
Profit/(loss) for the period from continuing operations	55.388.711	(3.859.715)	(15.850.360)	-	35.678.636

1 January - 31 March 2013 (Restated)	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	162.741.345	44.237.483	-	(17.084.454)	189.894.374
Cost of sales (-)	(124.357.908)	(49.774.167)	-	17.084.454	(157.047.621)
Gross profit/(loss)	38.383.437	(5.536.684)	-	-	32.846.753
General administrative, marketing selling distribution expenses (-)	(7.765.807)	(385)	(3.774.943)	-	(11.541.135)
Other operating income/expenses (-), net	2.160.929	(1.529.078)	(1.848.881)	-	(1.217.030)
Operating profit/ (loss)	32.778.559	(7.066.147)	(5.623.824)	-	20.088.588
Income from investment activities		-	2.590.865		2.590.865
Expenses from investment activities (-)			(63.007)		(63.007)
Profit/loss from invetments accounted by equity method	-	-	11.565.529	-	11.565.529
Operating profit/(loss) before financial income/expense	32.778.559	(7.066.147)	8.469.563	-	34.181.975
Financial income/(expenses), (net)		-	(7.276.132)	-	(7.276.132)
Profit/(loss) before tax from continuing operations	32.778.559	(7.066.147)	1.193.431	-	26.905.843
Tax income/(expense) from continuing operations	-	-	(3.158.099)	-	(3.158.099)
Current period tax expense (-)	-	-	(3.398.436)	-	(3.398.436)
Deferred tax income/expense	-	-	240.337	-	240.337
Profit/(loss) for the period from continuing operations	32.778.559	(7.066.147)	(1.964.668)	-	23.747.744

(Currency - Turkish Lira (TL) unless otherwise indicated)

4. Segment reporting (continued)

1 January - 31 March 2014					
Other segment information	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Capital expenditures/(expenses)					
Property,plant and equipment	9.808.167	407.240	-	-	10.215.407
Intangible assets	12.105	-	-	-	12.105
Total capital expenditures	9.820.272	407.240	-	-	10.227.512
Depreciation expenses	(10.769.863)	(2.782.455)	-	-	(13.552.318)
Amortization expenses	(466.203)	-	-	-	(466.203)

1 January - 31 March 2013					
Other segment information	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Capital expenditures/(expenses)					
Property,plant and equipment	11.918.035	1.284.990	-	-	13.203.025
Intangible assets	6.501	-	-	-	6.501
Total capital expenditures	11.924.536	1.284.990	-	-	13.209.526
Depreciation expenses	(9.252.533)	(3.159.051)	-	-	(12.411.584)
Amortization expenses	(345.372)	-	-	-	(345.372)

31 March 2014	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segement assets	1.173.970.919	154.210.415		-	1.328.181.334
Available for sale financial assets	-	-	56.978	-	56.978
Investments accounted by equity method	-	-	175.310.566	-	175.310.566
Undistributed assets	-	-	13.431.417	-	13.431.417
Total assets	1.173.970.919	154.210.415	188.798.961	-	1.516.980.295
Segment liabilities	352.189.797	158.070.130	-	-	510.259.927
Undistributed liabilities	-	-	1.006.720.368	-	1.006.720.368
Total liabilities	352.189.797	158.070.130	1.006.720.368	-	1.516.980.295

31 December 2013	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segement assets	1.102.885.181	151.905.480	-	-	1.254.790.661
Available for sale financial assets	-	-	56.978	-	56.978
Investments accounted by equity method	-	-	172.716.299	-	172.716.299
Undistributed assets	-	-	12.445.654	-	12.445.654
Total assets	1.102.885.181	151.905.480	185.218.931	-	1.440.009.592
Segment liabilities	133.543.037	179.041.235	905.388	-	313.489.660
Undistributed liabilities	-	-	1.126.519.932	-	1.126.519.932
Total liabilities	133.543.037	179.041.235	1.127.425.320	-	1.440.009.592

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

(Currency - Turkish Lira (TL) unless otherwise indicated)

5. Cash and cash equivalents

The detail of cash and cash equivalents as of 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014	31 December 2013
Cash	14.263	9.511
Cash at banks	67.172.828	38.380.950
Demand deposits	15.617.479	11.573.640
Time deposits with maturity of less than 3 months	51.555.349	26.807.310
Checks in collection with maturities before the balance sheet date	4.219.972	1.534.566
	71.407.063	39.925.027

The detail of bank deposits is stated below:

	31 March 2014	31 December 2013
TL	56.989.183	36.764.772
USD	7.083.166	1.396.059
EUR	3.098.608	217.087
GBP	1.871	3.032
	67.172.828	38.380.950

All time deposits as of 31 March 2014 are denominated in TL with the maturity of less than three months. As of 31 March 2014, effective weighted average interest rate on time deposits is 8,7% (31 December 2013: 8,1%)

The Group does not have any blocked deposits as of 31 March 2014 and 31 December 2013.

6. Trade receivables and payables

a. Short-term trade receivables

	31 March 2014	31 December 2013
Trade receivables	197.978.264	169.721.279
Notes receivable	44.516.329	50.307.308
Allowance for doubtful receivables (-)	(6.899.921)	(6.858.683)
	235.594.672	213.169.904

Trade receivables' collection terms vary based on the type of the product and agreements made with the customers and the average term is 90 days (31 December 2013- 78 days). Effective interest rates used when determining the amortized cost are 11,39% for TL, 2,56% for USD and 2,60% for EUR (31 December 2013 - TL: 6,33%, USD: 2,56%, EUR: 2,60%).

(Currency - Turkish Lira (TL) unless otherwise indicated)

6. Trade receivables and payables (continued)

a. Short-term trade receivables (continued)

The movement of the provision for doubtful receivables for the periods ended 31 March 2014 and 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	6.858.683	4.835.959
Provisions during the period (Note: 21)	66.924	32.713
Collections within the period (-) (Note: 21)	(56.800)	(183.510)
Currency translation difference	31.114	(8.154)
Closing balance	6.899.921	4.677.008

b. Short-term trade payables

	31 March 2014	31 December 2013
Trade payables	89.246.139	113.569.827
Trade payables to related parties (Note: 27)	4.175.791	839.640
	93.421.930	114.409.467

The average payment period of trade payables is 56 days (31 December 2013- 52 days). Effective interest rates used when determining the amortized cost are 11,39% for TL, 2,56% for USD and 2,60% for EUR (31 December 2013 - TL: 6,33%, USD:% 2,56, EUR 2,60%).

7. Financial borrowings

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

	31 March 2014	31 December 2013
Short-term borrowings	217.776.512	60.317.314
Current portion of long-term borowwings	19.654.118	21.242.209
Current portion of long-term financial lease liabilities	-	8.083
Total short-term borrowings and financial lease liabilities	237.430.630	81.567.606
Long-term borrowings	32.685.893	41.442.507
Total borrowings	270.116.523	123.010.113

(Currency - Turkish Lira (TL) unless otherwise indicated)

7. Financial borrowings (continued)

The details of the borrowings and financial lease liabilities as of 31 March 2014 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Orignal Balance	Short-term	Long-term	31 March 2014
Unsecured	Fixed	TL	11,35	196.603.090	182.296.245	14.306.846	196.603.091
Unsecured	No interest	TL	-	85.346	85.346	-	85.346
Unsecured	Fixed	EUR	-	10.325.112	31.049.678	-	31.049.678
Secured	Floating	EUR	1,58	7.889.837	5.347.272	18.379.047	23.726.319
Unsecured	No interest	EUR	-	117.144	352.275	-	352.275
Unsecured	Fixed	USD	2,58	8.141.374	17.827.981	-	17.827.981
Secured	Fixed	USD	6,77	176.937	387.457	-	387.457
Unsecured	No interest	USD	-	38.531	84.376		84.376
					237.430.630	32.685.893	270.116.523

The details of the borrowings and financial lease liabilities as of 31 December 2013 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Orignal Balance	Short-term	Long-term	31 December 2013
Unsecured	Fixed	TL	9,43	46.862.042	24.824.900	22.037.143	46.862.043
Unsecured	No interest	TL	-	84.582	84.582	-	84.582
Unsecured	Fixed	EUR	2,68	10.650.084	31.273.972	-	31.273.972
Secured	Floating	EUR	1,42	8.839.143	6.550.780	19.405.364	25.956.144
Unsecured	Floating	EUR	3,62	309.685	909.389	-	909.389
Unsecured	No interest	EUR	-	4.229	12.419	-	12.419
Unsecured	Fixed	USD	2,56	8.090.199	17.266.912	-	17.266.912
Secured	Fixed	USD	6,82	298.257	636.569	-	636.569
					81.559.523	41.442.507	123.002.030
	Financial lease	EUR	4,73	2.753	8.083	-	8.083

The repayment schedule of the borrowings as of 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014	31 December 2013
Within 1 year	237.430.630	81.559.523
1 – 2 years	21.042.666	21.268.887
2 – 3 years	5.718.592	12.929.860
3 – 4 years	5.383.339	5.423.128
4 – 5 years	541.296	1.556.345
More than 5 years	-	264.287
	270.116.523	123.002.030

(Currency - Turkish Lira (TL) unless otherwise indicated)

7. Financial borrowings (continued)

Financial lease liabilities

As of 31 March 2014, the lease payments in Euro, which is related to the heavy construction vehicle acquisition lease agreement, have been completed. (31 December 2013: TL 8.983, the weighted average effective interest rate: 4,73%)

8. Other receivables and other payables

a. Other current and non-current receivables

Other current receivables:

	31 March 2014	31 December 2013
Receivables from insurance claims	173.945	75.238
Due from personnel	155.281	480.055
Other receivables from relayed parties (Note: 27)	37.878	73.337
Other miscellaneous receivables	749.220	749.220
Provision for doubtful other receivables (-)	(749.220)	(749.220)
	367.104	628.630

Other non-current receivables:

	31 March 2014	31 December 2013
Deposits and guarantees given	2.735.992	2.683.824
	2.735.992	2.683.824

b. Other current and non-current payables

Other current payables

	31 March 2014	31 December 2013
Taxes and funds payable	9.158.058	1.767.933
Deposits and guarantees received	3.062.798	3.254.072
Tax penalty liabilities in accordance with law no. 6111	-	437.428
Other payables to related parties (Note: 27)	57.600.984	485.249
	69.821.840	5.944.682

(Currency - Turkish Lira (TL) unless otherwise indicated)

9. Inventories

	31 March 2014	31 December 2013
Raw materials	67.597.267	60.636.953
Work-in progress	39.495.492	25.448.507
Finished goods	14.983.479	17.411.114
Other inventories	3.642.393	3.685.462
Inventory impairment provision (-)	(2.064.087)	(2.072.420)
	123.654.544	105.109.616

The movements of the inventory impairment provision

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	2.072.420	2.437.301
Reversal of the provision (-) (Note: 21)	(8.333)	(161.599)
Closing balance	2.064.087	2.275.702

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.

The cost of raw materials and supplies expensed in the current period amounted to TL 38.356.818 and accounted under cost of sales (31 March 2013: TL 30.737.524) (Note: 24).

10. Prepaid Expenses and Deferred Income

a. Short Term Prepaid Expenses

	31 March 2014	31 December 2013
Prepaid expenses	10.945.268	1.372.720
Advances given to suppliers	2.261.798	3.604.139
	13.207.066	4.976.859

b. Short Term Deferred Income

	31 March 2014	31 December 2013
Advanced received	3.593.595	2.798.796
Deferred income	260.162	105.276
	3.853.757	2.904.072

c. Long Term Prepaid Expenses

	31 March 2014	31 December 2013
Advances given for the purchase of fixed assets	721.743	579.661
Prepaid expenses	136.185	322.604
	857.928	902.265

(Currency - Turkish Lira (TL) unless otherwise indicated)

11. Property, plant and equipment

The table below summarizes the movement of property, plant and equipments for the interim period ended 31 March 2014:

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixture	Other Tangible Assets	Leashold Improvements	Construction in Progress	Total
Cost value										
1 January 2014, Opening balance	83.762.231	78.915.057	247.316.313	1.018.761.974	88.513.152	12.421.481	4.594.817	2.192.820	44.411.417	1.580.889.262
Currency translation difference	75.451	41.088	862.449	833.173	(91.225)	9.193	10.693	-	(8.749)	1.732.073
Additions	186.410	-	9.099	1.340.756	-	68.872	-	-	8.610.270	10.215.407
Dsiposals	-	-	(12.174)	(6.601.287)	(12.882.605)	(330.344)	(150.064)	-	-	(19.976.474)
Transfers from construction in progress	-	962.810	117.059	1.965.669	10.736.468	56.745	150.064	-	(13.988.815)	-
31 March 2014, Closing balance	84.024.092	79.918.955	248.292.746	1.016.300.285	86.275.790	12.225.947	4.605.510	2.192.820	39.024.123	1.572.860.268
Accumultaed depreciation										
1 January 2014, Opening balance	-	(30.236.919)	(103.498.506)	(656.848.026)	(62.624.426)	(6.989.426)	(2.653.170)	(1.923.482)	-	(864.773.955)
Currency translation difference	-	(17.804)	(226.509)	(461.467)	48.211	(13.182)	(5.519)	-	-	(676.270)
Charge for the period	-	(1.162.835)	(1.591.212)	(8.324.783)	(2.001.869)	(271.696)	(166.153)	(33.770)	-	(13.552.318)
Disposals	-	-	1.299	6.603.985	11.860.178	318.980	-	-	-	18.784.442
31 March 2014, Closing balance	-	(31.417.558)	(105.314.928)	(659.030.291)	(52.717.906)	(6.955.324)	(2.824.842)	(1.957.252)	-	(860.218.101)
31 March 2014, Net book value	84.024.092	48.501.397	142.977.818	357.269.994	33.557.884	5.270.623	1.780.668	235.568	39.024.123	712.642.167

(Currency - Turkish Lira (TL) unless otherwise indicated)

11. Property, plant and equipment (continued)

The table below summarizes the movement of property, plant and equipments for the year ended 31 March 2013:

	Land	Land Improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixture	Other Tangible Assets	Leashold Improvements	Construction in Progress (*)	Total
Cost value										
1 January 2013, Opening balance	81.659.486	60.251.864	231.309.232	980.787.041	94.129.334	10.775.349	3.603.733	2.177.470	36.893.829	1.501.587.338
Currency translation difference	94.506	(19.061)	(94.580)	(362.886)	1.432	10.825	(2.982)	-	(442)	(373.188)
Additions	-	-	38.681	585.283	83.386	54.096	-	-	12.441.579	13.203.025
Disposals	-	-	-	(69.209)	(973.380)	-	-	-	-	(1.042.589)
Transfers from construction in progress	-	717.845	-	255.880	-	1.350	-	-	(975.075)	-
31 March 2013, Closing balance	81.753.992	60.950.648	231.253.333	981.196.109	93.240.772	10.841.620	3.600.751	2.177.470	48.359.891	1.513.374.586
Accumulated depreciation										
1 January 2014, Opening balance	-	(26.673.463)	(95.576.422)	(623.976.600)	(60.433.305)	(6.092.650)	(1.691.426)	(1.797.802)	-	(816.241.668)
Currency translation difference	-	7.592	(38.297)	73.613	1.731	(8.334)	1.962	-	-	38.267
Charge for the period	-	(794.239)	(1.462.931)	(7.711.255)	(1.961.174)	(235.583)	(215.382)	(31.020)	-	(12.411.584)
Disposals	-	-	-	58.833	782.644	-	-	-	-	841.477
31 March 2013, Closing balance	-	(27.460.110)	(97.077.650)	(631.555.409)	(61.610.104)	(6.336.567)	(1.904.846)	(1.828.822)	-	(827.773.508)
31 March 2013, Net book value	81.753.992	33.490.538	134.175.683	349.640.700	31.630.668	4.505.053	1.695.905	348.648	48.359.891	685.601.078

(*) As of March 31, 2014 and 2013, the construction in progress of the Group mainly consists of energy and production efficiency, environmental and ready-mixed concrete investments.

There is no pledge or mortgage on assets of the Group as of 31 March 2014 except for the propery, plant and equipment amounting of TL 62.863.242 (31 December 2013 – TL 61.456.359).

As of 31 March 2014, total cost of the property, plant and equipment and intangible assets which are fully depreciated/amortized but are still in use is TL 507.638.843 (31 December 2013 – TL 525.065.437).

As of 31 March 2014, the ownership of the total property, plant and equipment which were acquired by financial lease amount to TL 6.622.239 was fully passed to the Group (31 December 2013 – TL 6.622.239).

(Currency - Turkish Lira (TL) unless otherwise indicated)

11. Property, plant and equipment (continued)

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

	1 January- 31 March 2014	1 January- 31 March 2013
Cost of sales (Note: 24)	13.210.698	12.038.865
General administration expenses (Note: 24)	332.242	362.370
Marketing, sales and distribution expenses (Note: 24)	9.378	10.349
	13.552.318	12.411.584

12. Goodwill

The goodwill amount presented in the Group's financial statements as of 31 March 2014 is related to Eskişehir and Ankara Cement Factories (Standart Çimento) acquired in 2005, Çimsa Cement located in TRNC, Bilecik Ready Mix Cement Facilities acquired in 2008, and Afyon Çimento Sanayi Türk Anonim Şirketi acquired in 2012. The movement of goodwill for the periods ending 31 March 2014 and 31 March 2013 is stated below.

31 March 2014	Opening	Effect of the Acquired Subsidiary	Currency Translation Difference	Total
Eskişehir	132.140.806	-	-	132.140.806
Afyon Çimento Sanayi T.A.Ş.	11.358.393	-	-	11.358.393
Bilecik Hazır Beton	4.293.971	-	-	4.293.971
Çimsa Cement Free Zone Ltd.	326.082	-	-	326.082
	148.119.252	-	-	148.119.252

31 March 2013	Opening	Effect of the Acquired Subsidiary	Currency Translation Difference	Total
Eskişehir	132.140.806	-	-	132.140.806
Afyon Çimento Sanayi T.A.Ş.	11.358.393	-	-	11.358.393
Bilecik Hazır Beton	4.293.971	-	-	4.293.971
Çimsa Cement Free Zone Ltd.	326.082	-	4.774	330.856
	148.119.252	-	4.774	148.124.026

As of 31 March2014, there is no impairment of the goodwill.

13. Intangible Assets

	Mining Rights	Other Intangible Assets	Total
Cost value			
1 January 2014, Opening balance	31.348.361	1.112.326	32.460.687
Currency translation difference	-	14.285	14.285
Additions	-	12.105	12.105
31 March 2014, Closing balance	31.348.361	1.138.716	32.487.077
Accumulated depreciation			
1 January 2014, Opening balance	(11.380.160)	(496.378)	(11.876.538)
Currency translation difference	-	(20.865)	(20.865)
Amortization charge for the period	(431.888)	(34.315)	(466.203)
31 March 2014, Closing balance	(11.812.048)	(551.558)	(12.363.606)
31 March 2014, Net book value	19.536.313	587.158	20.123.471

(Currency - Turkish Lira (TL) unless otherwise indicated)

13. Intangible Assets (continued)

	Mining Rights	Other Intangible Assets	Total
Cost value			
1 January 2013, Opening balance	31.348.361	391.587	31.739.948
Currency translation difference	-	(5.769)	(5.769)
Additions	-	6.501	6.501
31 March 2013, Closing balance	31.348.361	392.319	31.740.680
Accumulated depreciation			
1 January 2014, Opening balance	(9.525.279)	(349.046)	(9.874.325)
Currency translation difference		4.777	4.777
Amortization charge for the period	(332.018)	(13.354)	(345.372)
31 March 2013, Closing balance	(9.857.297)	(357.623)	(10.214.920)
31 March 2013, Net book value	21.491.064	34.696	21.525.760

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

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

	1 January-31 March 2014	1 January-31 March 2013
Cost of sales (Note: 24)	454.451	335.001
General administration expenses (Not: 24)	11.429	10.084
Marketing, sales and distribution expenses (Not:24)	323	287
	466.203	345.372

14. Provisions, Contingent Assets and Liabilities

a. Short Term Provisions

	31 March 2014	31 December 2013
Provision for litigations	3.880.729	3.449.178
Short-term provisions for employee benefits (Note: 16)	905.388	905.388
	4.786.117	4.354.566

The movements of “Provision for the litigatons” as of 31 March 2014 and 31 March 2013 are stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	3.449.178	3.036.881
Additional provision (Note:21)	437.600	59.353
Released provisions (-) (Note: 21)	(6.049)	-
Closing balance	3.880.729	3.096.234

(Currency - Turkish Lira (TL) unless otherwise indicated)

14. Provisions, Contingent Assets and Liabilities (continued)

As of 31 March 2014, the amount of the legal cases which is opened against the Group and still ongoing is approximately TL 8.842.580 (31 December 2013: TL 9.359.006). As of 31 March 2014, the Group provided provision for an amount of TL 3.880.729 based on the opinion of the legal advisors related to the cases which have a risk to result against the Group. (31 December 2013: TL 3.449.178).

b. Long Term Provisions

	31 March 2014	31 December 2013
Long-term employee benefits (Not: 16)	18.570.024	17.913.207
Other long term provisions	4.131.163	3.921.160
	22.701.187	21.834.367

Other Long Term Provisions

	31 March 2014	31 December 2013
Recultivation provision	3.888.413	3.707.160
Provision for the unlawful occupation	242.750	214.000
	4.131.163	3.921.160

The operations of the Group such as mining, cement production are subject to the Environment Law, and to the Land Protection and Utilization Law. All liabilities such as taxes, duties and emission fees resulting from this legislation have been fulfilled by the Group. This legislation addresses the costs that could arise from recovering the damage, pollution in the land while vacating the mines. Accordingly, the management calculated the estimated cost of plans that is deemed to meet the requirements of legislation related with the mining areas in which the Group operates. The Group has accounted and disclosed the recultivation provision amounting to TL 3.888.413 under “Other Long Term Provisions” as of 31 March 2014 (31 December 2013: TL 3.707.160).

The movement of “the recultivation provision” as of 31 March 2014 and 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	3.707.160	3.264.016
Additional provision (Note: 21)	181.253	229.065
Closing balance	3.888.413	3.493.081

The movement of “the provision for the unlawful occupation” as of 31 March 2014 and 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	214.000	107.000
Additional provision (Note: 21)	28.750	26.750
	242.750	133.750

Afyon Çimento Sanayi Türk A.Ş. pays a usage fee to Afyonkarahisar Governership National Estate Department for the 17.281 m2 portion of the land in the factory area which is owned by the National Estate Department. Since the usage fee is declared by the National Estate Department once in five years, the Group provided provision amounting to TL 242.750 as of 31 March 2014 (31 December 2013: TL 214.000).

(Currency - Turkish Lira (TL) unless otherwise indicated)

14. Provisions, Contingent Assets and Liabilities (continued)

c. Collaterals, pledges and mortgages

The collaterals, pledges and mortgages (CPM) received by the Group as of 31 March 2014 and 31 December 2013 are as follows:

		31 March 2014		31 December 2013	
	Original Currency	Original Amount	TL Balance	Original Amount	TL Balance
Letters of guarantee received	TL	163.866.501	163.866.501	156.048.567	156.048.567
Letters of guarantee received	USD	6.748.856	14.778.644	3.648.500	7.786.994
Letters of guarantee received	EUR	6.984.874	21.004.912	1.560.273	4.581.742
Mortgages	TL	24.089.490	24.089.490	24.437.615	24.437.615
Mortgages	EUR	1.400.000	4.210.080	1.400.000	4.111.100
Mortgages	RUB	175.174.835	10.673.403	175.174.835	11.347.826
Cheques and notes received	TL	21.394.510	21.394.510	21.369.510	21.369.510
Cheques and notes received	EUR	95.000	285.684	95.000	278.968
Cheques and notes received	USD	47.300	103.578	47.300	100.952
Pledges	TL	14.761.663	14.761.663	14.115.574	14.115.574
Total CPM received			275.168.465		244.178.848

As of 31 March 2014 and 31 December 2013, the details of the CPM given are as follows:

		31 March 2014		31 December 2013	
	Original Currency	Original Amount	TL Balance	Original Amount	TL Balance
A. Total CPM given for the Company's own legal entity	TL	105.869.219	105.869.219	90.240.601	90.240.601
	USD	53.852.140	117.925.417	17.307.229	36.938.819
	EUR	17.705.600	53.244.280	17.705.600	51.992.494
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis		-	-	-	-
C. Total CPM given in favour of other 3rd parties for ordinary trading operations		-	-	-	-
D. Other CPM given		-	-	-	-
i. Total CPM given in favour of parent entity		-	-	-	-
ii.Total CPM given in favour of other Group companies out of scope of clause B and C		-	-	-	-
iii. Total CPM given in favour of other 3rd parties out of scope of clause C		-	-	-	-
			277.038.916		179.171.914

The ratio of other CPMs to the Group's equity as of 31 March 2014 is 0% (31 December 2013: 0%).

d. Contingent Liabilities:

Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa"), of which the Group owns 32,875% of the shares and is an investment accounted by equity method was subject to tax investigation in the year 2012 regarding corporate tax calculation for the year 2010 and tax charge amounting to TL 39.219.428 (effect to the Group: TL 12.893.387) and related penalty amounting to TL 58.829.143 (effect to the Group: TL 19.340.081)

(Currency - Turkish Lira (TL) unless otherwise indicated)

14. Provisions, Contingent Assets and Liabilities (continued)

d. Contingent Liabilities: (continued)

were charged to Exsa on 22 January 2013. The tax investigation was related to the spin off transaction which was also subject to tax investigation in 2010. The total tax charge and penalty charged to Exsa as a result of the first investigation in 2010 amounting to TL 281.115.699 (effect to the Group: TL 92.416.786) were reconciled with the Ministry of Finance, where the tax penalty was waived, the total tax burden was decreased to TL 14.558.396 (effect to the Group: TL 4.786.073) and in the year 2011, a total of TL 21.000.000 together with interest (effect to the Group: TL 6.903.750) was paid. Exsa appealed for a reconciliation settlement process for the tax charge dated 22 January 2013 to Ministry of Finance on 25 January 2013. No reconciliation was provided in the meeting held between the Company and the Ministry of Finance Central Reconciliation Commission on 10 October 2013 and the Company filed a lawsuit by the Tax Court as of 24 October 2013. As of the date of this report, the legal proceedings initiated by the Company continue. In accordance with the opinion of the Group's legal advisors and tax experts, no provisions have been made in the accompanying consolidated financial statements for the interim period ended 31 March 2014 for the tax penalties and notifications considering the uncertainty as to the outcome of the legal proceedings.

Pursuant to the assembly resolution published on the official website of the Competition Authority, a preliminary investigation was decided upon regarding the allegations that Çimsa Çimento Sanayi ve Ticaret A.Ş. committed a competition infringement with another company in the white cement market. Regarding the detection of whether they have violated Article 4 of the Code 4054 in the white cement market, the Assembly has decided that an investigation should be launched regarding these two companies. As of the reporting date of 31 March 2014, the investigation is ongoing and the Company has sent the apologia to the Competition Authority.

15. Commitments

The table below shows the details of foreign currency purchase / sale commitments relating to the outstanding forward contracts of the Group as of 31 March 2014 and 31 December 2013:

31 March 2014	Average contract rate	Purchase in original currency	Sales in original currency	Original currency (TL equivalent)	Contract value (TL equivalent)	Fair value
Outstanding purchase/sale contracts						
Up to 3 months						
EUR sale/ TL purchase	2,8631	8.589.200	3.000.000	8.589.200	9.051.859	(462.659)
						(462.659)
3-6 months						
EUR sale/ TL purchase	2,9226	11.690.300	4.000.000	11.690.300	12.350.171	(659.871)
USD sale/ TL purchase	2,1944	3.291.650	1.500.000	3.291.650	3.332.728	(41.078)
						(700.949)
6-12 month						
EUR sale/ TL purchase	2,9794	8.938.100	3.000.000	8.938.100	9.475.641	(537.541)
USD sale/ TL purchase	2,2595	3.389.250	1.500.000	3.389.250	3.462.650	(73.400)
						(610.941)
Up to 3 months						
USD sale	3,5919	38.792.190	10.800.000	23.649.840	24.336.943	(687.103)
Total						**(2.461.652)**

(Currency - Turkish Lira (TL) unless otherwise indicated)

15. Commitments (continued)

31 December 2013	Average contract rate	Purchase in original currency	Sales in original currency	Original currency (TL equivalent)	Contract value (TL equivalent)	Fair value
Outstanding purchase/sale contracts						
Up to 3 months						
EUR sale/ TL purchase	2,7950	5.589.900	2.000.000	5.589.900	5.918.544	(328.644)
USD sale/ TL purchase	2,1205	4.240.900	2.000.000	4.240.900	4.298.576	(57.676)
						(386.320)
3-6 months						
EUR sale/ TL purchase	2,8631	8.589.200	3.000.000	8.589.200	9.070.370	(481.170)
USD sale/ TL purchase	2,1847	2.184.700	1.000.000	2.184.700	2.211.895	(27.195)
						(508.365)
6-12 month						
EUR sale/ TL purchase	2,9469	20.628.400	7.000.000	20.628.400	21.770.847	(1.142.447)
USD sale/ TL purchase	2,2595	3.389.250	1.500.000	3.389.250	3.440.789	(51.539)
						(1.193.986)
Up to 3 months						
USD sale	3,5887	51.677.790	14.400.000	29.292.480	30.257.170	**(964.690)**
Total						**(3.053.361)**

16. Employee Benefits

a. Employee Benefit Obligations

	31 March 2014	31 December 2013
Social security payables	2.016.862	1.824.460
Wage and salary payables to personnel	1.933.119	681.458
Personnel witholding tax	1.002.181	1.276.129
	4.952.162	3.782.047

b. Short Term Employee Benefits

For the interim period ended March 31, 2014 the bonus accrual is amounting to TL 905.388 (December 31, 2013: 905.388).

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	905.388	1.810.775
Provision paid during the period (-)	-	(1.810.775)
Closing balance	905.388	-

(Currency - Turkish Lira (TL) unless otherwise indicated)

16. Employee Benefits (continued)

c. Long Term Employee Benefits

	31 March 2014	31 December 2013
Retirement pay provision	15.769.577	15.458.927
Provision for unpaid vacation liability	2.178.479	1.843.160
Seniority provision	621.968	611.120
	18.570.024	17.913.207

The movement of "Retirement Pay Provision" for the periods ended 31 March 2014 and 31 March 2013 is stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	15.458.927	15.212.235
Service cost	1.336.254	943.499
Interest cost (Not: 21)	144.469	138.742
Actuarial loss/(gain)	362.722	250.813
Provision paid during the period (-)	(1.541.632)	(960.134)
Currency translation difference	8.837	5.932
Closing balance	15.769.577	15.591.087

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 3.438,22 as of 31 March 2014 (31 December 2013: full TL 3.254,44).

As of 31 Mart 2014, retirement pay provison is reflected in the consolidated financial statements by using the "Projection Method" based on actuary method and assumptions made by professional actuaries.

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

	31 March 2014	31 March 2013
Discount rate	% 9,86	% 10,12
Estimated inflation rate	% 5,80	% 6,16
Personnel turnover rate	% 17,55	% 16,50

(Currency - Turkish Lira (TL) unless otherwise indicated)

16. Employee Benefits (continued)

c. Long Term Employee Benefits (continued)

The movement of "Provision for Unpaid Vacation Liability" for the interim periods ended 31 March 2014 and 31 March 2013 is stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	1.843.160	1.781.050
Additional provision	376.790	183.974
Provision paid during the period (-)	(43.641)	-
Currency translation difference	2.170	-
Closing balance	2.178.479	1.965.024

The movement of "Seniority Provision" for the interim periods ended 31 March 2014 and 31 March 2013 is stated below:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	611.120	543.348
Additional provision	28.702	107.701
Provision paid during the period (-)	(17.854)	(23.750)
Released provision (-)	-	(850)
Closing balance	621.968	626.449

17. Other Assets and Liabilities

a. Other current and non-current asssets

Other current assets

	31 March 2014	31 December 2013
Deferred VAT	840.281	4.228.484
Job and personnel advances	641.373	748.141
Other current assets	841.193	236.153
	2.322.847	5.212.778

Other non-current assets

	31 March 2014	31 December 2013
Expot VAT (*)	4.162.805	3.554.004
Other non-current assets	181.085	132.406
	4.343.890	3.686.410

(*) 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 accordingly amounts in export VAT and deferred VAT are netted off.

(Currency - Turkish Lira (TL) unless otherwise indicated)

17. Other Assets and Liabilities

b. Other short term and long term liabilities

Other short term liabilities

	31 March 2014	31 December 2013
Other short term liabilities	1.993.459	671.835
	1.993.459	671.835

18. Equity, Reserves and Other Equity Items

As of 31 March 2014 and 31 December 2013, the composition of shareholders is as follows:

	31 March 2014		31 December 2013	
Shareholders (*)	(%)	Amount	(%)	Amount
Hacı Ömer Sabancı Holding A.Ş.	49,42	66.765.208	49,42	66.765.208
Aberdeen Asset Managers Limited (**)	12,25	16.545.235	13,95	18.628.038
Akçansa Çimento San. ve Tic. A.Ş.	8,98	12.130.560	8,98	12.130.560
Adana Çimento San. T.A.Ş.	5,11	6.908.993	5,11	6.908.993
Hacı Ömer Sabancı Vakfı	0,11	150.000	0,11	150.000
Other shareholders	24,13	32.584.446	22,43	30.501.643
Nominal share capital	100	135.084.442	100	135.084.442
Inflation adjustment		41.741.516		41.741.516
Rearranged share capital		176.825.958		176.825.958

(*) Public quotation of the Group is 41,47% as of 31 March 2014 (31 December 2013: 41,47%). As of 31 March 2014, actual free float rate is 29,18% (31 December 2013: 27,75%)

(**) Aberdeen Asset Management Limited holds 12,25% of the total capital as being the discretionary portfolio manager of the managed multiple portfolios.

The share capital of the Group as of 31 March 2014 consists of 13.508.444.200 shares. (31 December 2013: 13.508.444.200 shares). The nominal value per share is 1 Kr (31 December 2013: per share 1 Kr).

Revaluation reserve

The changes in Financial Assets Revaluation Reserve of Exsa, which is accounted by equity method, are as follows:

	Exsa Total	Group's share % 32,875
1 January 2014, opening	-	-
Current period increase / (decrease)	-	-
31 March 2014, closing	-	-

	Exsa Total	Group's share % 32,875
1 January 2013, opening	76.188.922	25.047.108
Current period increase / (decrease)	(10.811.477)	(3.554.273)
31 March 2013, closing	65.377.445	21.492.835

(Currency - Turkish Lira (TL) unless otherwise indicated)

18. Equity, Reserves and Other Equity Items (continued)

Revaluation reserve (continued)

The increase/decrease in the value of Hacı Ömer Sabancı Holding A.Ş. shares accounted under available for sale financial assets are realized as follows:

	Market value	Deferred tax effect	Net value
1 January 2014, opening (*)	-	-	-
Current period increase/(decrease)	-	-	-
31 March 2014, closing	-	-	-

	Market value	Deferred tax effect	Net value
1 January 2014, opening	208.021.419	(10.401.071)	197.620.348
Current period increase/(decrease)	24.549.112	(1.227.456)	23.321.656
31 March 2013, closing	232.570.531	(11.628.527)	220.942.004

(*) On 10 May 2013, the Group has sold Hacı Ömer Sabancı Holding shares in BIST which had TL 21.534.308 nominal value. The Group has acquired TL 12 per share and used the cash generated for the repayment of existing borrowings. The Group recognized the gain and losses relating to the fair value measurement of Hacı Ömer Sabancı Holding shares which are disclosed under available for sale financial assets revaluation reserve account in equity until related assets are sold on 10 May 2013 and after that date recognized in profit and loss.

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 2013 has been held on 27 March 2014, the decisions to pay TL 155.887.446 of dividend (31 March 2013: TL 98.071.305) and to allocate TL 14.913.322 of “Legal reserves” and TL 131.510.049 “Extraordinary reserves” were unanimously approved (31 March 2013: TL 9.131.708) and the payment was completeded by distributing the first part of TL 98.962.006 on 28.03.2014, and the remaining on 01.04.2014 (Note: 26).

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 installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

(Currency - Turkish Lira (TL) unless otherwise indicated)

18. Equity, Reserves and Other Equity Items (continued)

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.

As of 31 March 2013 and 31 December 2013, the composition of consolidated legal reserves, extraordinary reserves, accumulated profit, share premiums and other reserves exisiting in the statutory records of the Company can be summarized as follows:

In statutory records:

	31 March 2014	31 December 2013
Legal reserves	136.510.601	121.597.278
Other capital reserves (*)	238.197.945	43.100.627
Extraordinary reserves	52.635.184	52.527.224
Accumulated profit due to inflation difference (*)	68.691.034	68.691.034
Share premiums	30.131	30.131
Special funds	15.698.724	15.698.724
	511.763.619	301.645.018

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.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The deferred gain or loss arising from hedging instruments will be recognized in profit or loss only when the hedged transaction affects the profit or loss.

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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

19. Sales

	1 January – 31 March 2014	1 January – 31 March 2013
Domestic sales	181.605.363	140.591.186
Export sales	59.702.541	67.295.675
Sales discounts (-)	(4.014.689)	(3.304.583)
Other deductions (-)	(11.828.736)	(14.687.904)
	225.464.479	189.894.374
Cost of sales (-) (Note: 24)	(167.358.758)	(157.047.621)
Gross profit	58.105.721	32.846.753

20. General Administrative Expenses, Marketing, Sales and Distribution Expenses

	1 January – 31 March 2014	1 January – 31 March 2013
General administration expenses (-) (Note: 24)	(11.327.957)	(9.919.336)
Marketing, selling and distribution expenses (-) (Note: 24)	(1.545.811)	(1.621.799)
	(12.873.768)	(11.541.135)

21. Other operating income and expenses

Other operating income

	1 January – 31 March 2014	1 January – 31 March 2013
Foreign exchange gain from operating activities	6.655.084	1.130.952
Time deposit interest income (less than three months)	1.491.757	-
Sales of scrap and miscellaneous material	926.128	608.776
Overdue and interest income from operating activities	303.939	687.914
Released provisions	62.849	183.510
Other income	593.273	425.849
	10.033.030	3.037.001

(Currency - Turkish Lira (TL) unless otherwise indicated)

21. Other operating income and expenses (continued)

Other operating expense

	1 January – 31 March 2014	1 January – 31 March 2013
Foreign exchange loss from operating activities	(6.860.510)	(1.693.198)
Compensation and penalty expenses	(781.926)	(208.074)
Provision expenses	(714.527)	(1.097.102)
Interest expense of retirement pay provision	(144.469)	(138.742)
Donations and grants	(39.123)	(3.885)
Other expenses	(1.135.234)	(1.113.030)
	(9.675.789)	(4.254.031)

22. Income and Expense from Investment Activities

Income from Investment Activities

	1 January – 31 March 2014	1 January – 31 March 2013
Fixed assets sales income	1.403.309	156.630
Dividend income	-	2.153.431
Rent income	159.561	280.804
	1.562.870	2.590.865

Expense from Investment Activities

	1 January – 31 March 2014	1 January – 31 March 2013
Fixed asset sales expense	(364.806)	(63.007)
	(364.806)	(63.007)

23. Financial Income / Expenses

Financial Expense

	1 January – 31 March 2014	1 January – 31 March 2013
Interest expense on bank borrowings	(3.003.186)	(7.087.374)
Foreign exchange loss on bank borrowings	(1.160.769)	-
Other financial expenses	(384.862)	(188.758)
Total financial expenses	(4.548.817)	(7.276.132)

(Currency - Turkish Lira (TL) unless otherwise indicated)

24. Operating expenses by nature

The detail of costs of sales for the periods between 1 January – 31 March 2014 and 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Direct material and supplies expenses	(38.356.818)	(30.737.524)
Direct labor expenses	(1.667.633)	(1.698.853)
Energy costs	(78.037.936)	(66.694.582)
Depreciation and amortization expenses	(13.665.149)	(12.373.866)
Other production expenses	(46.325.631)	(42.976.916)
Total production cost	(178.053.167)	(154.481.741)
Change in work-in-process	14.046.985	(1.131.886)
Beginning work in process	(25.448.507)	(26.008.013)
Ending work in process	39.495.492	24.876.127
Change in finished and trade goods	(2.427.635)	(200.903)
Beginning finished goods	(17.411.114)	(16.438.878)
Ending finished goods	14.983.479	16.237.975
Released inventory impairment provision (Note: 9)	8.333	161.599
Cost of trade goods sold and other	(933.274)	(1.394.690)
	(167.358.758)	(157.047.621)

The detail of general administration expenses for the periods between 1 January – 31 March 2014 and 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Personnel expenses	(4.812.664)	(4.372.441)
Consultancy expenses	(1.516.598)	(1.101.940)
Retirement pay provisions	(1.069.320)	(779.264)
Tax, duty and charges	(973.538)	(762.897)
IT expenses	(479.399)	(265.632)
Travel expenses	(452.210)	(344.611)
Depreciation and amortization expenses	(343.672)	(372.454)
Communication and advertising expenses	(304.867)	(375.275)
Insurance expenses	(275.775)	(304.672)
Rent expenses	(250.678)	(216.827)
Maintenance expenses	(78.101)	(78.858)
Representation expenses	(70.177)	(55.940)
Other miscellaneous expenses	(700.958)	(888.525)
	(11.327.957)	(9.919.336)

(Currency - Turkish Lira (TL) unless otherwise indicated)

24. Operating expenses by nature (continued)

The detail of marketing, selling and distribution expenses for the periods between 1 January – 31 March 2014 and 2013 is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Personnel expenses	(971.420)	(785.846)
Travel expenses	(150.626)	(91.292)
Consultancy expenses	(80.881)	(62.720)
Rent expenses	(55.498)	(40.525)
Insurance expenses	(28.480)	(30.693)
Communication and advertising expenses	(16.996)	(14.749)
Representation expenses	(12.605)	(350.739)
Depreciation and amortization expenses	(9.701)	(10.636)
Other miscellaneous expenses	(219.604)	(234.599)
	(1.545.811)	(1.621.799)

25. Income taxes

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

In Turkey, the corporation tax rate is 20%. Corporate tax returns are required to be filed until the twentyfifth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Turkey, the tax legislation does not permit a parent group and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis. Corporate tax losses can be carried forward for a maximum period of five 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.

The dividend payments made other than to the companies resident in Turkey that are not responsible from the corporate and income tax and the dispensed ones and to resident and nonresident individuals and nonresident legal entities in Turkey are due to 15% income tax. The dividend payments made from the resident companies in Turkey to again resident companies in Turkey are not due to tax, and in case of not calculating the profit or not adding to capital, the income tax is not calculated.

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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

25. Income taxes (continued)

As of 31 March 2014 and 31 December 2013, corporate taxe payables are summarized as follows:

	31 March 2014	31 December 2013
Current period corporate tax provision	(9.275.338)	(44.387.686)
Prepaid taxes and funds (-)	113.087	37.774.477
	(9.162.251)	(6.613.209)

The detail of the tax expenses is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Current period corporate tax	(9.275.338)	(3.398.436)
Deferred tax income / (expense)	121.266	240.337
	(9.154.072)	(3.158.099)

The details of the deferred tax assets and liabilities of the Group as of 31 March 2014 and 31 March 2013 are as follows:

	31 March 2014	31 December 2013
Deferred tax assets:		
Provision for employee benefits	3.895.082	3.763.719
Tax losses carried forward (*)	3.722.223	3.981.917
Recultivation provision	777.683	741.432
Provision for litigations	776.146	689.836
Fair value of derivative instruments	600.691	610.672
Inventory impairment provision	412.817	414.484
Provision for other receivables	365.667	360.555
Rediscount of receivables	342.318	110.736
Other	1.463.213	1.864.338
	12.355.840	12.537.689
Deferred tax liabilities:		
Goodwill	(23.613.111)	(24.589.322)
Property, plant and equipment and intangible assets	(10.156.279)	(9.647.481)
Rediscount of payables and borrowings	(81.892)	(39.672)
	(33.851.282)	(34.276.475)
Net deferred tax asset / (liability)	(21.495.442)	(21.738.786)

The balance sheet presentation of the deferred tax (assets) / liabilities :	31 March 2014	31 December 2013
Deferred tax (assets)	(5.493.607)	(5.173.155)
Deferred tax liabilities	26.989.049	26.911.941
	21.495.442	21.738.786

(*) The subsidiary of the Group, Afyon Çimento Sanayi Türk Anonim Şirketi A.Ş., has TL 6.066.585 carried forward tax losses as of 31 March 2014 (31 December 2013: TL 7.659.978). TL 296.227 portion of this loss will expire in 2016, whereas TL 5.770.358 portion of this loss will expire in 2017. The subsidiaries of the Group located in foreign countries have total TL 7.997.788 carried forward tax losses (31 December 2013: TL 8.017.175). TL 4.935.376 portion of this loss will expire between years; 2028 – 2030 (31 December 2013: TL 4.819.345), and the remaning portion of TL 3.062.412 (31 December 2013: 3.197.830 TL) will be carried forward with no time limit.

(Currency - Turkish Lira (TL) unless otherwise indicated)

25. Tax assets and liabilities (continued)

The movement table of the net deferred tax liabilities is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	21.738.786	33.214.681
Deferred tax (income)/expense	(121.266)	(240.337)
Other accounted under equity	(9.720)	1.177.293
Currency translation difference	(112.358)	120.956
Closing balance	21.495.442	34.272.593

The reconciliation of the corporate tax expense applicable to profit before income tax at the statutory income tax rate to income tax expense reported in the income statements is as follows:

	1 January – 31 March 2014	1 January – 31 March 2013
Profit before taxation	44.832.708	26.905.843
Effective statutory income tax rate	20%	20%
Tax expense at the effective statutory income tax rate	(8.966.542)	(5.381.169)
The reconcilation of tax provision:		
- Non-deductible expenses	(151.540)	(267.952)
- Non-taxable income	46.087	480.038
- Effect of the profit from investments accounted by equity method	518.853	2.313.106
- Effect of different tax rate in other countries and other	(600.931)	(302.122)
Tax expense in the income statement	(9.154.072)	(3.158.099)

Assets related to the current period taxes

	31 March 2014	31 December 2013
Prepaid taxes and funds	743.148	949.139
	743.148	949.139

(Currency - Turkish Lira (TL) unless otherwise indicated)

26. Earnings per share

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

	1 January – 31 March 2014	1 January – 31 March 2013
Number of shares	13.508.444.200	13.508.444.200
Profit attributable to equity holders of the parent – TL	35.593.541	24.515.594
Dividend per share with nominal value of 1 Kr – TL	0,0026	0,0018

Dividends distributed per share:

The dividend per share distributed in 2014 from 2013 profit is stated below:

Dividend amount distributed	155.887.446
Number of shares with nominal value of 1 Kr	13.508.444.200
Dividend per share (Kr)	0,0115

The dividend per share distributed in 2013 from 2012 profit is stated below:

Dividend amount distributed	98.071.305
Number of shares with nominal value of 1 Kr	13.508.444.200
Dividend per share (Kr)	0,0073

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

27. Related party disclosures

Entities are defined as related if one of the entities has control over the other entity or has a significant influence over the other entity’s financial and administrative decisions. The Group is controlled by Hacı Ömer Sabancı Holding A.Ş. For the consolidated financial statements, shareholder companies and financial assets of Hacı Ömer Sabancı Holding A.Ş. and their associates and subsidiaries and also other companies of Sabancı Group are presented separately and these companies and top management of the Group are referred to as related parties. The Group has various transactions with related parties. The related party balances as of 31 March 2014 and 31 December 2013 and the related party transactions for the periods ended 31 March 2014 and 31 March 2013 are mainly as follows:

Other receivables from related parties (short term)

	31 March 2014	31 December 2013
Avivasa Emeklilik ve Hayat A.Ş. (2)	37.878	-
Aksigorta A.Ş. (2)	-	58.228
Sasa Polyester Sanayi A.Ş. (2)	-	15.109
	37.878	73.337

(Currency - Turkish Lira (TL) unless otherwise indicated)

27. Related party disclosures (continued)

Trade payables to related parties (short term)

	31 March 2014	31 December 2013
Enerjisa Enerji A.Ş. (3) (*)	4.140.606	826.403
Akçansa Çimento Sanayi ve Ticaret A.Ş. (3)	35.185	13.237
	4.175.791	839.640

Other payables to related parties (short term)

	31 March 2014	31 December 2013
Dividend payable to shareholders (*)	54.645.433	-
Hacı Ömer Sabancı Holding A.Ş. (1)	2.280.007	4.639
Aksigorta A.Ş. (3)	657.555	-
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. (2)	7.692	455.294
Avivasa Emeklilik ve Hayat A.Ş. (3)	-	7.317
Other	10.297	17.999
	57.600.984	485.249

(*) The decision to distribute dividend of TL 155.887.446 from the 2013 profit was unanimously approved by the Ordinary General Assembly held on 27 March 2014. Within the dividend distribution process, which has a pay out ratio of gross; 115.40%, net; 98.09%, the first part of the dividend receivables; TL 98.962.006 of the recorded shares traded on the stock exchange were transfered to the accounts in the Settlement and Custody Bank Inc. (Takasbank A.Ş) of the relevant members on 28 March 2014, and the remaining on 01 April 2014.

Bank balances deposited in related parties

	31 March 2014	31 December 2013
Akbank T.A.Ş. (2)	29.532.889	30.866.858
	29.532.889	30.866.858

Borrowings from related parties

	31 March 2014	31 December 2013
Bank borrowings from Akbank T.A.Ş. (2)	103.768.640	36.813.153
	103.768.640	36.813.153

(Currency - Turkish Lira (TL) unless otherwise indicated)

27. Related party disclosures (continued)

Sales to related parties

	1 January – 31 March 2014	1 January – 31 March 2013
Aksigorta A.Ş. [(3)]	98.430	32.562
Enerjisa Enerji A.Ş. [(3) (*)]	68.088	104.605
Akçansa Çimento Sanayi ve Ticaret A.Ş.[(3)]	31.325	-
Hacı Ömer Sabancı Holding A.Ş.[(1)]	-	61.015
Other	19.554	4.897
	217.397	203.079

(*) TL 34.747 is the sale to Enerjisa Enerji Üretim A.Ş., while TL 33.341 is to Enerjisa Elektrik Enerji Toptan Satış A.Ş. (31 March 2013: -, TL 104.605 respectively)

Purchases and services received from related parties

	1 January – 31 March 2014	1 January – 31 March 2013
Enerjisa Enerji A.Ş. [(3) (*)]	24.048.882	13.104.674
Aksigorta A.Ş. [(3)]	4.762.456	3.670.444
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş.[(2)]	761.723	680.057
Akçansa Çimento Sanayi ve Ticaret A.Ş.[(3)]	217.915	1.192.154
Avivasa Emeklilik ve Hayat A.Ş. [(3)]	169.852	164.764
Hacı Ömer Sabancı Holding. A.Ş.[(1)]	-	28.010
Other	103.815	43.026
	30.064.642	18.883.129

(*) TL 23.534.091 is the purchases from Enerjisa Elektrik Toptan Satış A.Ş., while TL 466.070 is from Enerjisa Elektrik Perakende Satış A.Ş., TL 48.721 is from Enerjisa Enerji Üretim A.Ş. (31 March 2013: TL 12.648.119, TL 446.079, TL 10.476)

The Group purchases goods from Akçansa Çimento Sanayi ve Ticaret A.Ş., Enerjisa A.Ş., Enerjisa Elektrik Perakende Satış. A.Ş. and receives services from other related parties.

Interest income from related parties

	1 January – 31 March 2014	1 January – 31 March 2013
Akbank T.A.Ş. [(2)]	556.124	10.581
	556.124	10.581

Interest expense from related parties

	1 January – 31 March 2014	1 January – 31 March 2013
Akbank T.A.Ş. [(2)]	(1.058.770)	(1.988.891)
	(1.058.770)	(1.988.891)

(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.

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 1.156.871 (31 Mart 2013 – TL 1.023.710). The salaries paid are TL 1.095.784 (31 March 2013 – TL 972.988) and contributions paid to Social Security Institution are TL 61.087 (31 March 2013 – TL 50.722).

(Currency - Turkish Lira (TL) unless otherwise indicated)

28. Foreign currency risk

As of 31 March 2014 and 31 December 2013, the Group's foreign currency position in terms of the orginal currency is as follows:

	31 March 2014				31 December 2013			
	TL Equvalents (Functional currency)	USD (Original currency)	EUR (Original currency)	GBP (Original currency)	TL Equvalents (Functional currency)	USD (Original currency)	EUR (Original currency)	GBP (Original currency)
1. Trade receivables	73.294.616	12.629.750	15.170.258	4.950	78.727.789	14.455.998	16.297.283	4.950
2a. Monetary financial assets	10.183.645	3.234.618	1.030.396	515	1.616.179	654.106	73.927	864
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. CURRENT ASSETS (1+2+3)	**83.478.261**	**15.864.368**	**16.200.654**	**5.465**	**80.343.968**	**15.110.104**	**16.371.210**	**5.814**
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. NON CURRENT ASSETS (5+6+7)	-	-	-	-	-	-	-	-
9. TOTAL ASSETS (4+8)	**83.478.261**	**15.864.368**	**16.200.654**	**5.465**	**80.343.968**	**15.110.104**	**16.371.210**	**5.814**
10. Trade payables	19.762.210	8.318.454	514.252	-	27.316.552	9.706.072	2.247.874	-
11. Financial liabilities	48.971.249	8.356.843	10.199.333	-	47.662.951	8.388.456	10.134.333	-
12a. Other monetary financial liabilities	650.444	83.970	155.150	-	928.464	83.970	255.150	-
12b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-
13. SHORT-TERM LIABILITIES (10+11+12)	**69.383.902**	**16.759.267**	**10.868.735**	-	**75.907.967**	**18.178.498**	**12.637.357**	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-
17. LONG-TERM LIABILITIES (14+15+16)	-	-	-	-	-	-	-	-
18. TOTAL LIABILITIES (13+17)	**69.383.902**	**16.759.267**	**10.868.735**	-	**75.907.967**	**18.178.498**	**12.637.357**	-
19. Off-balance sheet derivative financial instruments net asset/liability position (19a-19b)	**(36.641.400)**	**(3.000.000)**	**(10.000.000)**	-	**(44.842.350)**	**(4.500.000)**	**(12.000.000)**	-
19a. Off-balance Sheet derivative assets denominated in foreign currencies	-	-	-	-	-	-	-	-
19b. Off-balance Sheet derivative liabilites denominated in foreign currencies	36.641.400	3.000.000	10.000.000	-	44.842.350	4.500.000	12.000.000	-
20. Net foreign currency asset / liability position (9-18+19)	**(22.547.041)**	**(3.894.899)**	**(4.668.081)**	**5.465**	**(40.406.349)**	**(7.568.394)**	**(8.266.147)**	**5.814**
21. Net foreign currency asset / liability position (1+2a+5+6a-10-11-12a-14-15-16a)	**14.094.359**	**(894.899)**	**5.331.919**	**5.465**	**4.436.001**	**(3.068.394)**	**3.733.853**	**5.814**
22. Total fair value of derivative financial instruments used as foreign currency hedge	(1.774.549)	(114.478)	(1.660.071)	-	(2.088.671)	(136.410)	(1.952.261)	-
23. Hedged foreign currency assets	36.641.400	3.000.000	10.000.000	-	44.842.350	4.500.000	12.000.000	-
24. Hedged foreign currency liabilites	-	-	-	-	-	-	-	-
25. Exports	39.594.278	9.203.531	5.816.099	536.613	213.725.344	57.785.573	29.472.458	1.095.780
26. Imports	28.966.517	11.093.292	1.554.412	-	87.524.727	37.335.334	2.669.819	-

(*) 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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

28. Foreign currency risk (continued)

Foreign currency risk occurs due to the Group's assets and liabilities which are denominated mostly in USD and EUR and other foreign currencies. The Group is also exposed to foreign currency risk due to the transactions made in foreign currency. This risk occurs due to purchases, sales and bank borrowings of the Group which are denominated in currencies other than the functional currency.

The Group hedges the foreign currency risk by balancing its foreign currency denominated assets and liabilities.

The information below shows the Group's sensitivity to a 10% (+ / -) change in USD and EUR. 10% is the sensitivity rate which represents the top management's assessment of the possible change in foreign exchange rates.

As of 31 March 2014, the assets and liabilities have been translated by using the following exchange rates: TL 2,1898 = USD 1, TL 3,0072 = EUR 1, TL 3,6343 = GBP 1 (31 December 2013: TL 2,1343 = USD 1 TL 2,9365 = EUR 1, TL 3,5114= GBP 1).

	Profit / (loss) after capitalization on property, plant and equipment, and before tax and non-controlling interests	
31 March 2014	Yabancı paranın değer kazanması	Yabancı paranın değer kaybetmesi
1- USD net assets / liabilities	(195.965)	195.965
2- Hedged portion of USD risk (-)	195.965	(195.965)
3- Effect of the capitalization (-)	-	-
4- USD net effect (1+2+3)	-	-
5- Net EUR assets/liabilities	1.603.415	(1.603.415)
6- Hedged portion of EUR risk (-)	(1.603.415)	1.603.415
7- Effect of the capitalization (-)	-	-
8- EUR net effect (5+6+7)	-	-
9- Net GBP assets/liabilities	1.986	(1.986)
10- Hedged portion of GBP risk (-)	-	-
11- Effect of the capitalization (-)	-	-
12- GBP net effect (9+10+11)	1.986	(1.986)
TOTAL (4+8+12)	**1.986**	**(1.986)**

	Profit / (loss) after capitalization on property, plant and equipment, and before tax and non-controlling interests	
31 December 2013	Yabancı paranın değer kazanması	Yabancı paranın değer kaybetmesi
1- USD net assets / liabilities	(654.887)	654.887
2- Hedged portion of USD risk (-)	654.887	(654.887)
3- Effect of the capitalization (-)	-	-
4- USD net effect (1+2+3)	-	-
5- Net EUR assets/liabilities	1.096.446	(1.096.446)
6- Hedged portion of EUR risk (-)	(1.096.446)	1.096.446
7- Effect of the capitalization (-)	-	-
8- EUR net effect (5+6+7)	-	-
9- Net GBP assets/liabilities	2.042	(2.042)
10- Hedged portion of GBP risk (-)	-	-
11- Effect of the capitalization (-)	-	-
12- GBP net effect (9+10+11)	2.042	(2.042)
TOTAL (4+8+12)	**2.042**	**(2.042)**

(Currency - Turkish Lira (TL) unless otherwise indicated)

29. Reporting in Hyperinflationary Economy

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with Turkish Accounting Standards (TAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of 31 December 2004, since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of 31 March 2014 and 31 December 2013 have been restated by applying the relevant conversion factors through 31 December 2004 and carrying additions after 31 December 2004 at their nominal values.

30. Derivative Financial Instruments

	31 March 2014	31 December 2013
Derivative financial instruments at fair value designated through income/expense	687.103	964.690
Total	687.103	964.690
Derivative financial instruments at fair value designated through other comprehensive income/expense (*)	1.774.549	2.088.671
Total	1.774.549	2.088.671

(*) Derivative instruments consist of foreign currency purchase/ sale forward contracts as described in Note 15. The Group has hedged its part of sales by foreign currency forward contracts. As of 31 March 2014, the fair value of foreign currency forward contracts designated as cash flow hedge is TL 1.774.549 and this amount has been disclosed under derivative financial liabilities and equity in the consolidated statement of financial position (31 December 2013: TL 2.088.671).

31. Available for Sale Finacial Investments

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

	31 March 2014		31 December 2013	
Company	Ownership (%)	Tutar	Ownership (%)	Tutar
Mesbaş Mersin Serbest Böl. İşl. A.Ş. (Mesbaş)	0,41	52.712	0,41	52.712
Anfas Antalya Fuarcılık A.Ş. (Anfas)	0,02	4.266	0,02	4.266
		56.978		56.978

Since the shares in available for sale financial assets are composed of shares of unlisted entities and their fair values cannot be measured reliably, these assets (adjusted for inflation until the end of 2004) are stated at cost less the provision for diminution in value, if any.

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. 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 March 2014 and 31 December 2013 are as follows:

	Note	31 March 2014	31 December 2013
Toplam financial borrowings	7	270.116.523	123.010.113
Cash and cash equivalents (-)	5	71.407.063	39.925.027
Net debt		198.709.460	83.085.086
Equity		1.006.720.368	1.126.519.932
Total liabilities		1.205.429.828	1.209.605.018
Net debt/equity ratio		%20	%7

b. Financial risk factors

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

c. Credit risk management

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

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. Financial instruments and financial risk management

c. Credit risk management (continued)

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

	Receivables						
	Trade receivables		Other receivables		Bank deposits		
31 March 2014	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party	Derivative Financial Instruments
Maximum credit risk exposures as of report date (1) (A+B+C+D+E)	-	235.594.672	37.878	3.065.218	29.532.889	37.639.939	-
- Secured part of maximum credit risk exposure via collateral etc.	-	159.298.827	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired (2)	-	211.251.854	37.878	3.065.218	29.532.889	37.639.939	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impared (3)	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	24.342.818	-	-	-	-	-
- Secured part via collateral etc.	-	19.833.552	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	6.899.921	-	749.220	-	-	-
- Impairment (-)	-	(6.899.921)	-	(749.220)	-	-	-
- 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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

c. Credit risk management (continued)

31 December 2013	Receivables						
	Trade receivables		Other receivables		Bank deposits		
	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party	Derivative Financial Instruments
Maximum credit risk exposures as of report date (1) (A+B+C+D+E)	-	213.169.904	73.337	3.239.117	30.866.858	7.514.092	-
- Secured part of maximum credit risk exposure via collateral etc.	-	137.485.466	-	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired (2)	-	191.572.689	73.337	3.239.117	30.866.858	7.514.092	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impared (3)	-	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	21.597.215	-	-	-	-	-
- Secured part via collateral etc.	-	13.986.532	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	6.858.683	-	749.220	-	-	-
- Impairment (-)	-	(6.858.683)	-	(749.220)	-	-	-
- 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.

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

(c) Credit risk management (continued)

The aging of the assets that are overdue but not subject to any impairment as of 31 March 2014 is as follows:

	Receivables			Derivative		
31 March 2014	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Financial Instruments**	**Other**	**Total**
Overdue 1-30 days	13.599.880	-	-	-	-	13.599.880
Overdue 1-3 months	2.298.673	-	-	-	-	2.298.673
Overdue 3-12 months	8.444.265	-	-	-	-	8.444.265
Total overdue receivables	24.342.818	-	-	-	-	24.342.818
Secured part via collaterals etc.	19.833.552	-	-	-	-	19.833.552

The aging of the assets that are overdue but not subject to impairment as of 31 December 2013 is as follows:

	Receivables			Derivative		
31 December 2013	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Financial Instruments**	**Other**	**Total**
Overdue 1-30 days	9.364.473	-	-	-	-	9.364.473
Overdue 1-3 months	1.733.906	-	-	-	-	1.733.906
Overdue 3-12 months	10.498.836	-	-	-	-	10.498.836
Total overdue receivables	21.597.215	-	-	-	-	21.597.215
Secured part via collaterals etc.	13.986.532	-	-	-	-	13.986.532

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. 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 15 and Note 30.

(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.

	31 March 2014	31 December 2013
Financial instruments with variable interest rates		
Financial Assets (Not: 5)	51.555.349	26.807.310
Financial Liabilities (Not: 7)	23.726.319	26.865.533

The amounts are calculated using the anticipated interest rate changes for the liabilities with variable interests as of the date of the report of the sensitivity analysis. If the Euro interest rates had been 50 basis points higher / lower ceteris paribus, the profit before tax and non-controlling interests would have been TL 29.658 (31 March 2013: TL 30.547) lower / higher.

(f) Liquidity risk

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

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

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

31 March 2014:

Contractual maturities	Net book value	Contractual total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	270.116.523	276.649.170	78.781.880	162.371.026	35.496.264	-
Trade payables	93.421.930	93.831.392	93.831.392	-	-	-
Other payables and liabilities and deferred income (*)	66.510.998	66.510.998	66.510.998	-	-	-
Total liability	**430.049.451**	**436.991.560**	**239.124.270**	**162.371.026**	**35.496.264**	**-**
Derivative financial liabilities						
Unrealized foreign currency purchase/sale forward contracts	(2.461.652)					
Derivative cash inflows		60.185.126	16.670.818	43.514.308	-	-
Derivative cash outflows		(60.291.240)	(16.904.880)	(43.386.360)	-	-
	(2.461.652)	**(106.114)**	**(234.062)**	**127.948**	**-**	**-**

(*) Only financial liabilities in the other payables, liabilities and deferred income have been included.

(Currency - Turkish Lira (TL) unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

(f) Liquidity Risk (continued)

31 December 2013:

Contractual maturities	Net book value	Contractual total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	123.002.030	129.288.297	13.517.148	72.296.993	43.208.616	265.540
Financial lease liabilities	8.083	8.083	8.083	-	-	-
Trade payables	114.409.467	114.607.826	114.607.826	-	-	-
Other payables and liabilities and deferred income (*)	7.315.228	7.315.228	7.315.228	-	-	-
Total liability	**244.734.808**	**251.219.434**	**135.448.285**	**72.296.993**	**43.208.616**	**265.540**
Derivative financial liabilities						
Unrealized foreign currency purchase/sale forward contracts	(3.053.361)					
Derivative cash inflows		77.476.517	17.086.615	60.389.902	-	-
Derivative cash outflows		(76.643.420)	(17.184.790)	(59.458.630)	-	-
	(3.053.361)	**833.097**	**(98.175)**	**931.272**	**-**	**-**

(*) Only financial liabilities in the other payables, liabilities and deferred income have been included.

33. Fair value disclosures of financial instruments and hedge accounting disclosures

The classification and fair value of the financial instruments

31 March 2014	Cash and cash equvalents	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized costs	Derivative financial instruments accounted under equity	Derivative financial instruments through income statement	Carrying value	Note
Financial assets								
Cash and cash equvalents	71.407.063	-	-	-	-	-	71.407.063	5
Trade receivables	-	235.594.672	-	-	-	-	235.594.672	6
Financial investments	-	-	56.978	-	-	-	56.978	31
Other financial assets	-	16.310.162	-	-	-	-	16.310.162	8/10/17
Derivative financial assets	-	-	-	-	-	-	-	30
Financial liablities								
Financial liabilities	-	-	-	270.116.523	-	-	270.116.523	7
Trade payables	-	-	-	93.421.930	-	-	93.421.930	6
Other liabilities	-	-	-	66.510.998	-	-	66.510.998	8/10/17
Derivative financial liabilities	-	-	-	-	1.774.549	687.103	2.461.652	30
31 December 2013								
Financial assets								
Cash and cash equvalents	39.925.027	-	-	-	-	-	39.925.027	5
Trade receivablres	-	213.169.904	-	-	-	-	213.169.904	6
Financial investments	-	-	56.978	-	-	-	56.978	31
Other financial assets	-	8.289.313	-	-	-	-	8.289.313	8/10/17
Derivative financial assets	-	-	-	-	-	-	-	30
Financial liablities								
Financial liabilities	-	-	-	123.010.113	-	-	123.010.113	7
Trade payables	-	-	-	114.409.467	-	-	114.409.467	6
Other liabilities	-	-	-	7.315.228	-	-	7.315.228	8/10/17
Derivative financial liabilities	-	-	-	-	2.088.671	964.690	3.053.361	30

(Currency - Turkish Lira (TL) unless otherwise indicated)

33. 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

As of 31 March 2014 and 31 December 2013, the fair value hierarchy table of the Company's assets and liabilities at fair value are as follows:

Financial assets and liabilities at fair value of		The level of fair value at the reporting date		
	31 March 2014	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through income/loss				
Derivative financial instruments	(687.103)	-	(687.103)	-
Financial assets and liabilities at fair value through other comprehensive income/loss				
Available for sale financial assets (*)	56.978	-	-	56.978
Derivative financial instruments	(1.774.549)	-	(1.774.549)	-
Total	(2.404.674)	-	(2.461.652)	56.978

(*) The assets are valued by the quoted market price at the balance sheet date.

(Currency - Turkish Lira (TL) unless otherwise indicated)

33. Financial instruments fair value and hedge accounting disclosures (continued)

Financial assets and liabilities at fair value of		The level of fair value at the reporting date		
	31 December 2013	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through income/loss				
Derivative financial instruments	(964.690)	-	(964.690)	-
Financial assets and liabilities at fair value through other comprehensive income/loss				
Available for sale financial assets (*)	56.978	-	-	56.978
Derivative financial instruments	(2.088.671)	-	(2.088.671)	-
Total	(2.996.383)	-	(3.053.361)	56.978

(*) The assets are valued by the quoted market price at the balance sheet date.

34. Subsequent events

None.

35. Other issues affecting the consolidated financial statements materially or those required to be disclosed for a clear, understandible and interpretable presentation

Pursuant to the decree taken in the CMB's meeting dated 7 June 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Group's consolidated statement of financial position and consolidated statement of profit or loss pursuant to these formats which have taken effect.

The reclassifications that are made at the Group's consolidated statement of profit or loss for the period ended 31 March 2013 are as follows:

Foreign exchange gain from operating activities amounting to TL 1.130.952, overdue and interest income amouting to TL 687.914 disclosed under "Financial income" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Other income from operating activities"

Fixed assets sales income amounting to TL 156.630 and rent income amounting to TL 280.804 disclosed under "Other income from operating activities" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Income from investment activities"

Dividend income amounting to TL 2.153.431 disclosed under "Financial income" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Income from investment activities"

Foreign exchange loss from operating activities amounting to TL 1.693.198 disclosed under "Financial expenses" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Other expenses from operating activities"

Fixed asset sales expense amounting to TL 63.007 disclosed under "Other expense from operating activities" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Expense from investment activities"

Interest expense of retirement pay provision amounting to TL 138.742 disclosed under "Financial expenses" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Other expenses from operating activities".

Limestone expenses amounting to TL 510.992 disclosed under "Other production expenses" in the consolidated statement of profit or loss for the period ended 31 March 2013 has been reclassified to "Direct material and supplies expenses".