

CONVENIENCE TRANSLATION OF
THE REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
THREE-MONTH INTERIM CONDENSED PERIOD ENDED
31 MARCH 2016

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

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

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(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

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

		(Non Audited)	(Audited)
		Current Period	Prior Period
		31 March	31 December
	Note	2016	2015
ASSETS			
Cash and cash equivalents	5	243.735.277	224.071.872
Trade receivables	6	312.863.737	327.413.136
<i>Trade receivables from related parties</i>	22	3.075	3.075
<i>Trade receivables from third parties</i>		312.860.662	327.410.061
Other receivables	8	533.787	858.520
<i>Other receivables from third parties</i>		533.787	858.520
Inventories	9	109.135.237	96.064.710
Prepaid expenses	10	27.349.962	3.727.477
Assets related to the current period taxes	20	785.913	389.491
Other current assets	13	26.023.233	13.421.675
Current Assets		720.427.146	665.946.881
Other receivables	8	3.370.987	3.300.320
Available for sale financial investments		56.978	56.978
Investments accounted under equity method	3	211.610.669	198.879.863
Property, plant and equipment	11	1.037.121.351	891.957.670
Intangible assets		166.846.648	167.482.109
<i>Goodwill</i>		148.119.252	148.119.252
<i>Other intangible assets</i>	11	18.727.396	19.362.857
Prepaid expenses	10	41.679.305	41.673.501
Deferred tax assets	20	6.723.142	7.201.772
Other non-current assets	13	3.132.556	4.034.202
Non-current assets		1.470.541.636	1.314.586.415
TOTAL ASSETS		2.190.968.782	1.980.533.296

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

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

		(Non Audited)	(Audited)
		Current Period	Prior Period
		31 March	31 December
	Note	2016	2015
LIABILITIES			
Short-term borrowings	7	373.617.084	132.062.996
Current portion of long-term borrowings	7	82.596.832	32.427.576
Trade payables	6	126.718.990	206.253.599
<i>Trade payables to related parties</i>	22	21.308.640	29.696.666
<i>Trade payables to third parties</i>		105.410.350	176.556.933
Employee benefit obligations		8.111.581	4.408.724
Other payables	8	94.945.633	9.732.474
<i>Other payables to related parties</i>	22	85.041.747	1.901.067
<i>Other payables to third parties</i>		9.903.886	7.831.407
Deferred income	10	9.658.662	6.435.545
Current income tax liability	20	11.854.767	10.757.643
Short-term provisions		15.812.741	17.393.141
<i>Short-term provisions for employee benefits</i>		2.732.600	4.613.000
<i>Other short-term provisions</i>	12	13.080.141	12.780.141
Other current liabilities	13	2.680.116	3.615.238
Current Liabilities		725.996.406	423.086.936
Long-term borrowings	7	256.719.512	213.166.955
Long-term provisions		30.457.165	29.663.546
<i>Long-term provisions for employee benefits</i>		25.682.452	24.969.621
<i>Other long-term provisions</i>	12	4.774.713	4.693.925
Deferred tax liability	20	24.780.336	23.513.747
Non- Current Liabilities		311.957.013	266.344.248
SHAREHOLDERS' EQUITY			
Share capital	14	135.084.442	135.084.442
Adjustments to share capital	14	41.741.516	41.741.516
Share premiums		1.099.415	1.099.415
Other comprehensive income/expense to be reclassified to profit or loss		6.419.478	4.385.203
<i>Foreign currency translation reserve</i>		6.419.478	4.385.203
<i>Available for sales financial assets revaluation reserve</i>		10.177.936	-
Other comprehensive income/expense not to be reclassified to profit or loss		(4.724.894)	(4.952.998)
<i>Actuarial losses / gains on defined benefit plans</i>		(4.724.894)	(4.952.998)
Restricted reserves		168.519.607	149.067.447
Retained earnings		640.007.494	615.455.692
Net profit for the year		47.446.544	245.279.781
Equity Attributable to Equity Holders of the Parent	14	1.045.771.538	1.187.160.498
Non-controlling interests		107.243.825	103.941.614
Total Shareholders' Equity		1.153.015.363	1.291.102.112
TOTAL LIABILITIES AND EQUITY		2.190.968.782	1.980.533.296

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

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2016

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

		(Non Audited)	(Non Audited)
		Current Period	Prior Period
		1 January-	1 January-
	Note	31 March 2016	31 March 2015
OPERATING INCOME			
Sales	15	253.664.838	234.968.311
Cost of sales (-)	16	(175.376.676)	(176.561.428)
GROSS PROFIT		78.288.162	58.406.883
General and administrative expense (-)	16	(15.071.204)	(11.972.962)
Marketing, selling and distribution expense (-)	16	(2.223.492)	(1.717.921)
Other operating income	17	13.702.235	14.613.368
Other operating expenses (-)	17	(7.588.868)	(7.684.009)
OPERATING PROFIT		67.106.833	51.645.359
Income from investment activities	18	415.519	585.247
Expense from investment activities (-)	18	-	(23.194)
Profit/(loss) from investments accounted by equity method	3	2.552.870	3.777.135
OPERATING PROFIT BEFORE FINANCIAL INCOME		70.075.222	55.984.547
Financial expenses (-)	19	(6.875.410)	(3.088.802)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		63.199.812	52.895.745
Tax income / (expense) from continuing operations	20	(13.164.211)	(10.337.291)
- Current period tax expense		(11.840.691)	(10.150.049)
- Deferred tax income / (expense)		(1.323.520)	(187.242)
DÖNEM KARI		50.035.601	42.558.454
Profit/loss for the period attributable to			
- Non-controlling interests		2.589.057	(165.940)
- Equity holders of the parent		47.446.544	42.724.394
Earnings per share			
Earnings per share from continuing operations	21	0,35	0,32
(Nominal amount of 1 Kr)			

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

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ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD
ENDED 31 MARCH 2016

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

		(Non Audited)	(Non Audited)
		Current Period	Prior Period
		1 January-	1 January-
	Note	31 March 2016	31 March 2015
PROFIT FOR THE PERIOD		50.035.601	42.558.454
Other comprehensive income/expense to be reclassified to profit or loss		12.925.365	(2.331.310)
<i>Foreign currency translation reserve</i>		2.747.429	(2.331.310)
<i>Available for sales financial assets revaluation reserve</i>		12.722.420	-
Tax (expense) / income	21	(2.544.484)	-
Other comprehensive income/expense not to be reclassified to profit or loss		228.104	(225.270)
<i>Actuarial losses / gains on defined benefit plans</i>		285.130	(281.588)
Tax (expense) / income	21	(57.026)	56.318
		-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		13.153.469	(2.556.580)
TOTAL COMPREHENSIVE INCOME		63.189.070	40.001.874
Total comprehensive income attributable to		-	-
-Non-controlling interests		3.302.211	(481.469)
-Equity holders of the parent		59.886.859	40.483.343

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

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

				Other comprehensive income/expense to be reclassified to profit or loss	Other comprehensive income/expense not to be reclassified to profit or loss	Retained Earnings						
	Share Capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Available for sales financial assets revaluation reserve	Actuarial gains/(losses) on defined benefit plans	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2015	135.084.442	41.741.516	30.131	4.714.228	-	(2.436.517)	132.289.960	613.781.619	192.980.659	1.118.186.038	51.545.593	1.169.731.631
Transfer from retained earnings	-	-	-	-	-	-	16.777.487	176.203.172	(192.980.659)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	192.980.659	192.980.659	(165.940)	192.814.719
Other comprehensive income/(expense)	-	-	-	(2.015.782)	-	(225.269)	-	-	-	(2.241.051)	(315.529)	(2.556.580)
Total comprehensive income/(expense)	-	-	-	(2.015.782)	-	(225.269)	-	-	192.980.659	190.739.608	(481.469)	190.258.139
Dividends to be paid	-	-	-	-	-	-	-	(174.529.099)	-	(174.529.099)	-	(174.529.099)
31 March 2015	135.084.442	41.741.516	30.131	2.698.446	-	(2.661.786)	149.067.447	615.455.692	192.980.659	1.134.396.547	51.064.124	1.185.460.671
1 January 2016	135.084.442	41.741.516	1.099.415	4.385.203	-	(4.952.998)	149.067.447	615.455.692	245.279.781	1.187.160.498	103.941.614	1.291.102.112
Transfer from retained earnings	-	-	-	-	-	-	19.452.160	225.827.621	(245.279.781)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	47.446.544	47.446.544	2.589.057	50.035.601
Other comprehensive income/(expense)	-	-	-	2.034.275	10.177.936	228.104	-	-	-	12.440.315	713.154	13.153.469
Total comprehensive income/(expense)	-	-	-	2.034.275	10.177.936	228.104	-	-	47.446.544	59.886.859	3.302.211	63.189.070
Dividends to be paid (*)	-	-	-	-	-	-	-	(201.275.819)	-	(201.275.819)	-	(201.275.819)
31 March 2016	135.084.442	41.741.516	1.099.415	6.419.478	10.177.936	(4.724.894)	168.519.607	640.007.494	47.446.544	1.045.771.538	107.243.825	1.153.015.363

(*)The decision to distribute dividend of TRY 201.275.819 from 2015 year profit was unanimously approved by the Ordinary General Assembly held on 28 March 2016 and the payment was completed by distributing the first part of TRY 116.590.618 on 30 March 2016, and the remaining on 1 April 2016.

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

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

		(Non Audited)	(Non Audited)
		Current Period	Prior Period
	Note	1 January- 31 March 2016	1 January- 31 March 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		(31.517.596)	(13.120.833)
Profit before tax from continuing operations		63.199.812	52.895.745
Adjustments to reconcile net profit/(loss) for the period		16.347.866	12.016.848
Adjustment related to depreciation and amortization expense	11	15.295.819	13.806.175
Adjustment related to gain on sale of fixed assets	18	(19.524)	(86.008)
Adjustment related to retained profits of subsidiaries	3	(2.552.870)	(3.777.135)
Adjustment related to allowance for doubtful receivable	6	914.101	(70.146)
Adjustment related to provision for inventories	9	(1.176)	(789)
Adjustment related to provision for litigations	12	300.000	(655.534)
Adjustment related to recultivation provision	12	247.115	(111.518)
Adjustment related to provision for unlawful occupation	12	(166.327)	30.000
Adjustment related to retirement pay provision		1.006.710	650.715
Adjustment related to seniority provision		66.897	62.923
Adjustment related to unpaid vacation liability		354.057	319.128
Adjustment related to bonus accrual		2.732.600	3.427.484
Adjustment related to interest expense	17/19	6.018.330	611.205
Adjustment related to interest income	17	(7.179.166)	(782.749)
Unrealized foreign exchange (gains) / losses on financial borrowings		(668.700)	72.058
Adjustment related to fair value (increase) / decrease of derivative financial instruments		-	(1.478.961)
Changes in working capital		(107.653.490)	(67.396.348)
Short-term trade receivables		13.523.836	(10.222.632)
Inventories		(13.069.351)	(6.194.836)
Other receivables / current assets / prepaid expenses		(35.899.310)	(9.780.131)
Other long term receivables / non-current / prepaid expenses		807.134	(8.795.789)
Short term trade payables		(79.534.609)	(41.402.817)
Other short term payables/liabilities		6.518.810	8.999.857
Cash flows from operations		(28.105.812)	(2.483.755)
Interest received		10.171.018	782.749
Seniority provision paid		(1.880.400)	(802.668)
Retirement pay provision paid		(533.392)	(868.121)
Unused vacation liability paid		(1.773)	(12.818)
Seniority provision paid		(27.248)	(7.402)
Taxes paid	20	(11.139.989)	(9.728.818)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(158.322.148)	(17.658.098)
Purchases of property, plant and equipment	11	(158.340.189)	(17.768.266)
Proceeds from sales of property, plant and equipment	11	-	110.168
Hisse satışından elde edilen nakit	10	18.041	-
C. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		209.707.326	30.058.736
Proceeds from borrowings		372.621.438	156.689.982
Repayment of borrowings		(16.733.063)	(12.899.411)
Dividend paid	22	(116.590.618)	(105.865.347)
Alınan Faiz		(29.590.431)	(7.866.488)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		19.867.582	(720.195)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	224.071.872	49.471.134
Currency translation differences (net)		(204.177)	398.085
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	243.735.277	49.149.024

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

(Amounts expressed in Turkish Lira (“TRY”), 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: 14). In accordance with Article 82 of the BIST Basic Principles of Share Indexes, the shares of Çimsa are included in the BIST 100 index by the Directorate General of the Stock Exchange.

The upper limit of registered share capital of the Company is TRY 200.000.000 (31 December 2015- TRY 200.000.000)

As of 31 March 2016 and 31 December 2015, the information related to the Company’s subsidiaries and joint venture is as follows:

Entity	Date of acquisition	Location of the operation	Principal Activities	Effective shareholding of the company	
				31 March 2016	31 December 2015
Çimsa Cement Free-Zone Limited (Çimsa Cement) (*)	12 Oct 2005	NCTR	Cement sales and marketing	% 99,99	% 99,99
CIMSAROM Marketing Distributie S.R.L. (Çimsarom) (*)	8 Feb 2006	Romania	Cement sales and marketing	% 99,99	% 99,99
Çimsa Cement Sales North GmbH (CSN)(*)	27 June 2006	Germany	White cement marketing	% 100	% 100
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 Dec 2007	Mersin	Export	% 100	% 100
Regent Place Limited (Regent) (*)	21 May 2008	British Virgin Island	Financial investment and holding company	% 100	% 100
OOO Çimsa Rus CTK (OOO Rusya) (*)	16 July 2008	Russia	Cement packaging, sales and marketing	% 100	% 100
Çimsa Adriatico Srl (*)	9 Feb 2010	Italy	Cement sales and marketing	% 70	% 70
Afyon Çimento Sanayi Türk Anonim Şirketi (*)	31 May 2012	Turkey	Cement production and sales	% 51	% 51

(*) Full consolidation method has been applied.

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

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

1. ORGANIZATION AND NATURE OF OPERATIONS (Continued)

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

The consolidated financial statements were authorized for issue by the Board of Directors of Çimsa on 5 May 2016. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

The number of blue collar employees (a union member) of the Group for the year ended 31 March 2016 is 628 (31 December 2015 – 624) and white collar employees (not a union member) is 483 (31 December 2015 – 468) and the number of employees working in subsidiaries and joint venture located abroad is 44 (31 December 2015 - 44).

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 TRY.

Functional currency of Cement Sales North GmbH, Çimsa Cementos Espana S.A.U., Regent Place Ltd. and Çimsa Adriatico SRL is Euro, the functional currency of Çimsarom Marketing Distribute Srl is New Romanian Lei 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 TRY. The resulting foreign currency gain / loss are recorded under the ‘Currency Translation Reserve’ account in equity.

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with rules and principles published by POA, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention except for available for sale financial assets, assets acquired through business combination, derivative instruments and cash flow hedge reserve that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards as adopted by POA. These adjustments and reclassifications mainly consist of the effect of deferred tax calculation, provision for doubtful receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 “Employee Benefits”, 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

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

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

The condensed interim consolidated financial statements of the Group for the three month period ended March 31, 2016 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. Additionally, the accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended March 31, 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2015. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

2.5 Changes in Turkish Financial Reporting Standards (TFRS)

The new and amended standards and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2015 (Continued)

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
 - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the financial position.

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

ii) The new standards, amendments and interpretations which are effective as at 1 January 2015 (Continued)

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have significant on the financial position or performance of the Group.

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. 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. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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

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

Annual Improvements – 2010–2012 Cycle

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.

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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

IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Changes in Turkish Financial Reporting Standards (TFRS) (Continued)

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

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3. INVESTMENTS ACCOUNTED BY EQUITY METHOD

<u>Investments</u>	<u>Main operating activity</u>	<u>31 March 2016</u>		<u>31 December 2015</u>	
		<u>Effective ownership (%)</u>	<u>Carrying net book value</u>	<u>Effective ownership (%)</u>	<u>Carrying net book value</u>
Exsa	Investment property and financial instruments	32,875	211.610.669	32,875	198.879.863
			<u>211.610.669</u>		<u>198.879.863</u>

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 2016 and 31 March 2015 and revenue, expense and net profit for the periods ending 31 March 2016 and 31 December 2015 are as follows:

	<u>31 March 2016</u>	<u>31 December 2015</u>
Assets	669.818.893	621.178.011
Liabilities	<u>(26.136.249)</u>	<u>(16.220.253)</u>
Net Assets	<u>643.682.644</u>	<u>604.957.758</u>
Group's share	<u>211.610.669</u>	<u>198.879.863</u>
	<u>1 January- 31 March 2016</u>	<u>1 January- 31 March 2015</u>
Revenues	11.099.611	18.576.935
Expenses	<u>(3.334.225)</u>	<u>(7.087.552)</u>
Net profit for the period	<u>7.765.387</u>	<u>11.489.383</u>
Group's share in net profit	<u>2.552.870</u>	<u>3.777.135</u>

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3. INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

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

Subsidiary	31 March 2016			
	Non-controlling interest %	Gain/losses attributable to non-controlling	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Afyon Çimento Sanayi T.A.Ş.	%49	2.697.942	52.471.133	-

Subsidiary	31 March 2015			
	Non-controlling interest %	Gain/losses attributable to non-controlling	Accumulated non-controlling interests	Dividend paid to non-controlling interests
Afyon Çimento Sanayi T.A.Ş.	%49	89.436	46.841.338	-

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

<i>Condensed balance sheet information:</i>	31 March	31 December
	2016	2015
Cash and cash equivalents	156.868.556	164.939.002
Other current assets	32.249.590	29.251.622
Non-current assets	326.328.358	217.151.294
Total Assets	515.446.504	411.341.918
Short term borrowings	36.621.032	18.787.641
Other current liabilities	15.920.419	21.185.783
Long term borrowings	250.562.085	164.523.352
Other non-current liabilities	5.347.487	5.401.440
Total liabilities	308.451.023	209.898.216
Total equity	206.995.481	201.443.702

<i>Condensed income statement information:</i>	1 January-	1 January-
	31 March 2016	31 March 2015
Revenue	12.951.410	8.994.585
Gross profit	2.262.766	779.225
Operating profit/ (loss)	5.698.753	(917)
Net financial income /(expense)	(514.180)	(223.294)
Profit/ (loss) before tax	5.184.573	(224.211)
Net profit for the period	5.565.453	(149.185)
	1 January-	1 January-
	31 March 2016	31 March 2015
Cash flows from operating activities	(5.644.020)	(66.517)
Cash flows from investing activities	(104.436.797)	(2.221.572)
Cash flows from financing activities (excluding dividend)	102.010.371	10.003.653
Net decrease in cash and cash equivalents	(8.070.446)	7.715.564

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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 16.

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 years ended 31 March 2016 and 31 March 2015, the information about the Group’s segments consists of sales and profits obtained from cement (including clinker and aggregate) and ready mix concrete; segment assets and liabilities as of 31 March 2016 and 31 December 2015.

1 January-31 March 2016	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	215.941.803	53.996.611	-	(16.273.576)	253.664.838
Cost of sales (-)	(136.983.112)	(54.667.140)	-	16.273.576	(175.376.676)
Gross profit/(loss)	78.958.691	(670.529)	-	-	78.288.162
General administrative,marketing selling distribution expenses	(3.239.751)	-	(14.054.945)	-	(17.294.696)
Other operating income/expenses (-), net	1.148.346	(1.156.202)	6.121.223	-	6.113.367
Operating profit/ (loss)	76.867.286	(1.826.731)	(7.933.722)	-	67.106.833
Income from investment activities	-	-	415.519	-	415.519
Expense from investment activities (-)	-	-	-	-	-
Profit/loss from investments accounted by equity method	-	-	2.552.870	-	2.552.870
Operating profit/(loss) before financial income/expense	76.867.286	(1.826.731)	(4.965.333)	-	70.075.222
Financial income/(expenses), (net)	-	-	(6.875.410)	-	(6.875.410)
Profit/(loss) before tax from continuing operations	76.867.286	(1.826.731)	(11.840.743)	-	63.199.812
Tax (expense)/income from continuing operations	-	-	(13.164.211)	-	(13.164.211)
Current period tax expense (-)	-	-	(11.840.691)	-	(11.840.691)
Deferred tax income/expense	-	-	(1.323.520)	-	(1.323.520)
Profit/(loss) for the period from continuing operations	76.867.286	(1.826.731)	(25.004.954)	-	50.035.601
1 January-31 March 2015	Cement	Ready-mix concrete	Undistributed	Elimination	Total
Sales	210.823.504	36.855.823	-	(12.711.016)	234.968.311
Cost of sales (-)	(148.619.091)	(40.653.353)	-	12.711.016	(176.561.428)
Gross profit/(loss)	62.204.413	(3.797.530)	-	-	58.406.883
General administrative,marketing selling distribution expenses	(4.392.273)	-	(9.298.610)	-	(13.690.883)
Other operating income/expenses (-), net	2.786.508	(117.498)	4.260.349	-	6.929.359
Operating profit/ (loss)	60.598.648	(3.915.028)	(5.038.261)	-	51.645.359
Income from investment activities	-	-	585.247	-	585.247
Expense from investment activities (-)	-	-	(23.194)	-	(23.194)
Profit/loss from investments accounted by equity method	-	-	3.777.135	-	3.777.135
Operating profit/(loss) before financial income/expense	60.598.648	(3.915.028)	(699.073)	-	55.984.547
Financial income/(expenses), (net)	-	-	(3.088.802)	-	(3.088.802)
Profit/(loss) before tax from continuing operations	60.598.648	(3.915.028)	(3.787.875)	-	52.895.745
Tax (expense)/income from continuing operations	-	-	(10.337.291)	-	(10.337.291)
Current period tax expense (-)	-	-	(10.150.049)	-	(10.150.049)
Deferred tax income/expense	-	-	(187.242)	-	(187.242)
Profit/(loss) for the period from continuing operations	60.598.648	(3.915.028)	(14.125.166)	-	42.558.454

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4. SEGMENT REPORTING (Continued)

31 March 2016	Cement	concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	1.750.077.069	174.318.076	-	-	1.924.395.145
Available for sale financial investments	-	-	56.978	-	56.978
Investments accounted by equity method	-	-	211.610.669	-	211.610.669
Undistributed assets	-	-	54.905.990	-	54.905.990
Total assets	1.750.077.069	174.318.076	266.573.637	-	2.190.968.782
Segment liabilities	983.504.504	54.448.915	-	-	1.037.953.419
Undistributed liabilities	-	-	1.153.015.363	-	1.153.015.363
Total liabilities	983.504.504	54.448.915	1.153.015.363	-	2.190.968.782

31 December 2015	Cement	concrete	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	1.557.407.628	167.979.032	-	-	1.725.386.660
Available for sale financial investments	-	-	56.978	-	56.978
Investments accounted by equity method	-	-	198.879.863	-	198.879.863
Undistributed assets	-	-	56.209.795	-	56.209.795
Total assets	1.557.407.628	167.979.032	255.146.636	-	1.980.533.296
Segment liabilities	620.136.072	69.295.112	-	-	689.431.184
Undistributed liabilities	-	-	1.291.102.112	-	1.291.102.112
Total liabilities	620.136.072	69.295.112	1.291.102.112	-	1.980.533.296

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

5. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 March 2016 and 31 December 2015 is as follows:

	31 March 2016	31 December 2015
Cash	3.082.698	2.175.654
Cash at banks	237.992.922	220.369.708
Demand deposits	14.738.922	15.549.373
Time deposits with maturity of less than 3 months	223.254.000	204.820.335
Checks in collection with maturities before the balance sheet date	2.659.657	1.526.510
	243.735.277	224.071.872

The detail of bank deposits is stated below:

	31 March 2016	31 December 2015
TRY	229.372.123	156.649.904
EUR	2.928.236	48.819.156
USD	5.344.583	14.586.968
GBP	21.026	23.042
Other	326.954	290.638
	237.992.922	220.369.708

Time deposits as of 31 March 2016 are denominated in TRY, USD and EUR with the maturity of less than three months. As of 31 March 2016, effective weighted average interest rate on time deposits is 12,3% for TRY (31 December 2015 TRY: 12,3%, EUR: 1,3% and USD: 2,0%).

The Group does not have any blocked deposits as of 31 March 2016 and 31 December 2015.

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6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

	31 March 2016	31 December 2015
Short-term trade receivables		
Trade receivables	264.896.803	264.843.429
Notes receivable	57.375.382	70.952.592
Due from related parties (Note 22)	3.075	3.075
Allowance for doubtful receivables (-)	(9.411.523)	(8.385.960)
	<u>312.863.737</u>	<u>327.413.136</u>

Trade receivables’ collection terms vary based on the type of the product and agreements made with the customers and the average term is 78 days (31 December 2015- 75 days). Effective interest rates used when determining the amortized cost are 11,60% for TRY, 2,08% for USD and 1,45% for EUR (31 December 2015 - TRY: 11,17%, USD: 2,08%, EUR: 1, 45%).

a. Trade receivables

The movement of the provision for doubtful receivables for the periods ended 31 March 2016 and 31 December 2015 is as follows:

	1 January- 31 March 2016	1 January- 31 March 2015
Allowance for doubtful receivables (-)		
Opening balance	8.385.960	6.618.509
Provisions during the period (Note 17)	1.017.100	61.232
Reversal of the provision (-) (Note 17)	(102.999)	(131.378)
Collections within the period (-)	-	4.537
Currency translation difference	111.462	-
Closing balance	<u>9.411.523</u>	<u>6.552.900</u>

b. Trade payables

	31 March 2016	31 December 2015
Short-term trade payables		
Trade payables	105.410.350	176.556.933
Trade payables to related parties (Note 22)	21.308.640	29.696.666
	<u>126.718.990</u>	<u>206.253.599</u>

The average payment period of trade payables is 73 days (31 December 2015: 70 days). Effective interest rates used when determining the amortized cost are 11,60% for TRY, 2,08% for USD and 1,45% for EUR (31 December 2015 - TRY: 11,17%, USD: 2,08%, EUR: 1, 45%).

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7. FINANCIAL BORROWINGS

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

Borrowings	31 March 2016	31 December 2015
Short-term borrowings	373.617.084	132.062.996
Current portion of long-term borrowings	82.596.832	32.427.576
	456.213.916	164.490.572
Long-term borrowings	256.719.512	213.166.955
	256.719.512	213.166.955
Total borrowings	712.933.428	377.657.527

The details of the borrowings and financial lease liabilities as of 31 March 2016 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance			31 March 2016
					Short-term	Long-term	
Unsecured	Fixed	TRY	10,98%	597.183.117	362.093.954	250.562.085	612.656.039
Unsecured	Fixed	EUR	1,37%	17.767.772	57.000.789	-	57.000.789
Unsecured	Fixed	USD	1,98%	11.000.000	31.167.400	-	31.167.400
Secured	Fixed	EUR	0,89%	2.423.763	3.061.891	4.713.782	7.775.673
Secured	Floating	EUR	Libor 6M+1,75	1.350.808	2.889.883	1.443.645	4.333.528
					456.213.916	256.719.512	712.933.428

The details of the borrowings and financial lease liabilities as of 31 December 2015 are as follows:

Secured/ Unsecured	Interest type	Currency type	Weighted average interest rate (%)	Original Balance			31 December 2015
					Short-term	Long-term	
Unsecured	Fixed	EUR	10,62	259.256.000	55.134.242	204.121.758	259.256.000
Unsecured	Fixed	TRY	1,79	17.918.520	56.937.888	-	56.937.888
Unsecured	Fixed	USD	2,06	16.000.000	46.521.600	-	46.521.600
Secured	Fixed	EUR	0,89	2.900.975	3.032.781	6.185.357	9.218.138
Secured	Floating	EUR	Libor 6M+1,75	1.801.328	2.864.061	2.859.840	5.723.901
					164.490.572	213.166.955	377.657.527

The repayment schedule of the borrowings as of 31 March 2016 and 31 December 2015 is as follows:

	31 March 2016	31 December 2015
To be paid within 1 year	456.213.916	164.490.572
To be paid between 1-2 years	106.940.355	120.810.503
To be paid between 2-3 years	45.484.412	30.841.174
To be paid between 3-4 years	37.380.855	22.177.148
To be paid between 4-5 years	30.825.934	18.530.770
More than 5 years	36.087.956	20.807.360
	712.933.428	377.657.527

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7. FINANCIAL BORROWINGS (Continued)

According to feasibility study, subsidiary of the Group, Afyon Çimento Türk A.Ş., has been needed 165.000.000\$ of funds to re-establish its current production plant as integrated with high-technologies and replace it out of the settlement area. Therefore, company capital will be increased from TRY 3.000.000 to TRY 100.000.000, and TRY 97.000.000 of funds, which generated from capital increase, will be spent to finance these investments. The remaining will be compensated from long term bank loans. For loan of TRY 300.000.000, agreement has been signed with two banks. TRY 100.000.000 of loan will be drawn down from TSKB with 10.83% interest rate and the other TRY 200.000.000 credit will be used from Türkiye İş Bank with the fixed rate of 10.35% for 7 years and first 2 years without capital payment. The use of long term bank credits completed with the last part of credit to 20.000.000 TRY at the date of 26 April 2016.

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

	31 March 2016	31 December 2015
Short-term other receivables		
Due from personnel	486.989	612.573
Other miscellaneous receivables	753.646	753.646
Provision for doubtful other receivables (-)	(753.646)	(753.646)
	<u>533.787</u>	<u>858.520</u>

	31 March 2016	31 December 2015
Long-term other receivables		
Deposits and guarantees given	3.370.987	3.300.320
	<u>3.370.987</u>	<u>3.300.320</u>

b. Other Payables

	31 March 2016	31 December 2015
Short-term other payables		
Deposits and guarantees received	5.371.608	5.058.128
Taxes and funds payable	4.532.278	2.773.279
Other payables to related parties (Note 22) (*)	85.041.747	1.901.067
	<u>94.945.633</u>	<u>9.732.474</u>

(*) The decision to distribute dividend of TRY 201.275.819 from the 2015 profit was unanimously approved by the Ordinary General Assembly held on 28 March 2016. Within the dividend distribution process, which has a payout ratio of gross; 149,00%, net; 126,65%, the first part of the dividend receivables; TRY 116.590.618 of the recorded shares traded on the stock exchange were transferred to the accounts in the Settlement and Custody Bank Inc. (Takasbank A.Ş) of the relevant members on 30 March 2016, and the remaining on 1 April 2016.

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9. INVENTORIES

	31 Mart 2016	31 December 2015
Inventories		
Raw materials	61.574.093	61.211.670
Work-in progress	30.869.781	17.178.246
Finished goods	16.567.632	17.519.951
Other inventories	3.726.044	3.758.332
Inventory impairment provision (-)	(3.602.313)	(3.603.489)
	<u>109.135.237</u>	<u>96.064.710</u>
	1 January-	1 January-
Inventory impairment provision movement:	31 March 2016	31 March 2015
Opening balance	3.603.489	2.335.708
Reversal of the provision (-) (Note 17)	(1.176)	(789)
Closing balance	<u>3.602.313</u>	<u>2.334.919</u>

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

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

	31 March 2016	31 December 2015
Short-term provision expenses		
Advances given to suppliers	23.903.788	2.580.495
Prepaid expenses	3.446.174	1.146.982
	<u>27.349.962</u>	<u>3.727.477</u>
	31 March	31 December
Long-term provision expenses	2016	2015
Advances given for the purchase of fixed assets	41.543.601	41.561.642
Prepaid expenses	135.704	111.859
	<u>41.679.305</u>	<u>41.673.501</u>

TRY 16.970.000 of long-term prepaid expenses consist of advances given for the purchase of fixed assets with regard to Afyon Çimento T.A.Ş.'s investment in new factory.

b. Deferred Income

	31 March 2016	31 December 2015
Short-term deferred income		
Advanced received	6.134.198	5.470.077
Deferred income	3.524.464	965.468
	<u>9.658.662</u>	<u>6.435.545</u>

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11. PROPERTY, PLANT AND EQUIPMENT

As of 31 March 2016, the amount of TRY 159.603.464 has purchased property, plant and equipment and other intangible assets. (31 March 2015– TRY 17.768.266).

As of 31 March 2016, the amount of TRY 0 has sold property, plant and equipment and other intangible assets. (31 March 2015 – TRY 24.160).

As of 31 March 2016, depreciation and amortization expense of TRY 14.890.559 has been charged in cost of goods sold (31 March 2015: TRY: 13.387.172), TRY 395.793 has been charged in general administrative expenses (31 March 2015: TRY 407.677) and the remaining amount of TRY 9.467 was included in marketing, selling and distribution expenses (31 March 2015: 11.326 TRY).

There is no pledge or mortgage on assets of the Group as of 31 March 2016 except for the property, plant and equipment amounting of TRY 67.919.121 (31 December 2015 – TRY 67.530.466).

As of 31 March 2016, the capitalized interest during the period is TRY 5.222.187 (31 December 2015- TRY 1.101.473).

12. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

	31 March 2016	31 December 2015
Short-term provisions		
Provision for litigations	13.080.141	12.780.141
Short-term provisions for employee benefits	2.732.600	4.613.000
	<u>15.812.741</u>	<u>17.393.141</u>

The movement of “Provision for the litigations” as of 31 March 2016 and 31 December 2015 is stated below:

	1 January- 31 March 2016	1 January- 31 March 2015
Provision for the litigation movement		
Opening balance	12.780.141	10.700.000
Additional provision (Note 17)	300.000	-
Provision paid during the period (-) (Note 17)	-	(655.534)
Closing balance	<u>13.080.141</u>	<u>10.044.466</u>

As of 31 March 2016, the Group provided provision for an amount of TRY 13.080.141 based on the opinion of the legal advisors related to the cases which have a risk to result against the Group. (31 December 2015: TRY 12.780.141).

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

b. Long-Term Provisions

	31 March 2016	31 December 2015
Long-term provisions		
Long-term employee benefits	25.682.452	24.969.621
Other long term provisions	4.774.713	4.693.925
	<u>30.457.165</u>	<u>29.663.546</u>
	31 March 2016	31 December 2015
Other long term provisions		
Recultivation provision	4.738.497	4.491.382
Provision for the unlawful occupation	36.216	202.543
	<u>4.774.713</u>	<u>4.693.925</u>

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 TRY 4.738.497 under “Other Long Term Provisions” as of 31 March 2016 (31 December 2015: TRY 4.491.382).

The movement of “the recultivation provision” as of 31 March 2016 and 31 December 2015 is as follows:

	1 January- 31 March 2016	1 January- 31 March 2015
Recultivation provision movement		
Opening balance	4.491.382	4.814.648
Additional provision (Note 17)	273.359	-
Provision paid (-) (Note 17)	(26.244)	(111.518)
Closing balance	<u>4.738.497</u>	<u>4.703.130</u>

The movement of “the provision for the unlawful occupation” as of 31 March 2016 and 31 March 2015 is as follows:

	1 January- 31 March 2016	1 January- 31 March 2015
Unlawful occupation provision movement		
Opening balance	202.543	76.000
Additional provision (Note 17)	-	30.000
Provision paid (-) (Note 17)	(166.327)	-
Closing balance	<u>36.216</u>	<u>106.000</u>

Afyon Çimento Sanayi Türk A.Ş. pays a usage fee to Afyonkarahisar Governors National Estate Department for the 17.281 m² portion of the land in the factory area which is owned by the National Estate Department, the Group provided provision amounting to TRY 36.216 as of 31 March 2016 (31 December 2015: TRY 202.543).

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

c. Collaterals, pledges and mortgages

The collaterals, pledges and mortgages (CPM) received by the Group as of 31 March 2016 and 31 December 2015 are as follows:

	Currency	31 March 2016		31 December 2015	
		Original Amount	TRY Amount	Original Amount	TRY Amount
Letters of guarantee received	TRY	237.597.065	237.597.065	225.652.059	225.652.059
Letters of guarantee received	USD	19.153.264	54.268.858	19.572.810	56.909.902
Letters of guarantee received	EUR	14.340.509	46.005.786	12.257.072	38.948.072
Mortgages	TRY	24.249.162	24.249.162	26.329.162	26.329.162
Mortgages	EUR	1.060.000	3.400.586	1.130.000	3.590.688
Mortgages	RUBLE	175.174.835	7.303.039	175.174.835	6.938.675
Cheques and notes received	TRY	21.307.960	21.307.960	21.307.960	21.307.960
Cheques and notes received	EUR	95.000	304.770	95.000	301.872
Cheques and notes received	USD	47.300	134.020	47.300	137.529
Pledges	TRY	19.053.004	19.053.004	18.719.954	18.719.954
Total			<u>413.624.250</u>		<u>398.835.873</u>

As of 31 March 2016 and 31 December 2015, the details of the CPM given are as follows:

	Original Currency	31 March 2016		31 December 2015	
		Original Amount	TRY Balance	Original Amount	TRY Balance
A. Total CPM given for the Company's own legal entity	TRY	67.206.971	67.206.971	56.850.997	56.850.997
	USD	28.243.126	80.024.073	26.714.798	77.675.947
	EUR	17.805.600	57.122.145	17.805.600	56.579.075
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		-	-	-	-
			<u>204.353.189</u>		<u>191.106.019</u>

The ratio of other CPMs to the Group’s equity as of 31 March 2016 is 0% (31 December 2015: 0%).

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12. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 TRY 39.219.428 (effect to the Group: TRY 12.893.387) and related penalty amounting to TRY 58.829.143 (effect to the Group: TRY 19.340.081) 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 TRY 281.115.699 (effect to the Group: TRY 92.416.786) were reconciled with the Ministry of Finance, where the tax penalty was waived, the total tax burden was decreased to TRY 14.558.396 (effect to the Group: TRY 4.786.073) and in the year 2011, a total of TRY 21.000.000 together with interest (effect to the Group: TRY 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 balance sheet date, the Company had won the tax case; however, the legal proceedings were ongoing since the judgment was appealed. 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 year ended 31 March 2016 for the tax penalties and notifications considering the uncertainty as to the outcome of the legal proceedings.

13. OTHER ASSETS AND LIABILITIES

a. Other current and non-current assets

	31 March 2016	31 December 2015
Other current assets		
Deferred VAT(*)	23.096.428	10.810.997
Job and personnel advances	2.715.591	2.544.806
Other current assets	211.214	65.872
	<u>26.023.233</u>	<u>2.610.678</u>

(*) TRY 12.984.720 of Deferred VAT comes from Afyon Çimento T.A.Ş.’s purchases made as part of new investment (31 December 2015: TRY 7.107.161). Deferred VAT is expected to be deducted from VAT payables within one year.

	31 March 2016	31 December 2015
Other non-current assets		
Export VAT (*)	3.129.661	4.031.168
Other non-current assets	2.895	3.034
	<u>3.132.556</u>	<u>4.034.202</u>

(*) 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.

b. Other short term and long term liabilities

	31 March 2016	31 December 2015
Other short term liabilities		
Other short term liabilities	2.680.116	3.615.238
	<u>2.680.116</u>	<u>3.615.238</u>

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14. EQUITY, RESERVES AND OTHER EQUITY ITEMS

As of 31 March 2016 and 31 December 2015, the composition of shareholders is as follows:

Shareholders (*)	31 March 2016		31 December 2015	
	(%)	Tutar	(%)	Tutar
Hacı Ömer Sabancı Holding A.Ş.	49,42	66.765.208	49,42	66.765.208
Aberdeen Asset Managers Limited (**)	9,37	12.660.905	10,50	14.178.201
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	27,00	36.468.776	25,87	34.951.480
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 2016 (31 December 2015: 41,47%).

(**) Aberdeen Asset Management Limited holds 9,37 % 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 2016 consists of 135.084.442 shares. (31 December 2015: 135.084.442 shares). The nominal value per share is 1 TRY (31 December 2015: per share 1 TRY).

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 2015 has been held on 28 March 2016, the decisions to pay TRY 201.275.819 of dividend (2015: TRY 174.529.099) and to allocate TRY 19.452.160 of “Legal reserves” (2015: TRY 16.777.487) and TRY 24.551.803 “Extraordinary reserves” (2015: TRY 1.674.072) were unanimously approved and the payment was completed by distributing the first part of TRY 116.590.618 on 30.03.2016, and the remaining on 01.04.2015 (Note 21).

Profit Distribution

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

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

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14. EQUITY, RESERVES AND OTHER EQUITY ITEMS (Continued)

Profit Distribution (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 2016 and 31 December 2015, the composition of consolidated legal reserves, extraordinary reserves, accumulated profit, share premiums and other reserves existing in the statutory records of the Company can be summarized as follows:

	31 March 2016	31 December 2015
Legal reserves	172.740.248	153.288.088
Other capital reserves (*)	238.622.403	238.622.403
Extraordinary reserves	52.926.797	52.812.384
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
	<u>548.709.336</u>	<u>529.142.763</u>

(*)In accordance with the dividend payment policy that has been approved in the Ordinary General Assembly of the year 2015 held on 28 March 2016, the net profit for the period available for distribution, amounting to TRY 220.842.391 in the statutory records, and prepared in line with the decrees of Tax Procedure Law has been decided to be allocated TRY 114.412,78 as “Extraordinary reserves” recorded as a liability in the statement of financial position

Foreign currency translation differences

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

Non-controlling interests

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

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15. SALES

Sales	1 January- 31 March 2016	1 January- 31 March 2015
Domestic sales	180.897.489	150.549.809
Export sales	95.719.126	106.933.000
Sales discounts (-)	(5.188.172)	(3.721.900)
Other deductions (-)	(17.763.605)	(18.792.598)
	<u>253.664.838</u>	<u>234.968.311</u>

16. OPERATING EXPENSES BY NATURE

The detail of costs of sales for the periods between 1 January – 31 March 2016 and 2015 is as follows:

Cost of sales (-)	1 January- 31 March 2016	1 January- 31 March 2015
Energy costs	(64.524.595)	(76.350.093)
Direct material and supplies expenses	(51.273.477)	(43.455.942)
Depreciation and amortization expenses	(14.890.559)	(13.387.172)
Direct labor expenses	(2.624.782)	(2.447.461)
Other production expenses	(50.907.738)	(46.728.055)
Total production cost	<u>(184.221.151)</u>	<u>(182.368.723)</u>
Change in work-in-process	13.691.535	7.245.220
Change in finished and trade goods	(1.979.051)	838.555
Konusu kalmayan alım taahhütleri karşılığı	1.176	789
Cost of trade goods sold and other	(2.869.185)	(2.277.269)
	<u>(175.376.676)</u>	<u>(176.561.428)</u>

The detail of general administration expenses for the periods between 1 January – 31 March 2016 and 2015 is as follows:

General administration expenses (-)	1 January- 31 March 2016	1 January- 31 March 2015
Personnel expenses	(7.090.593)	(5.618.895)
Tax, duty and charges	(1.201.034)	(1.008.627)
Consultancy expenses	(984.948)	(1.387.591)
Retirement pay provisions	(938.655)	(526.813)
IT expenses	(915.415)	(477.233)
Travel expenses	(616.246)	(389.558)
Communication and advertising expenses	(562.348)	(429.655)
Depreciation and amortization expenses	(395.793)	(407.677)
Insurance expenses	(382.802)	(352.286)
Rent expenses	(379.216)	(306.388)
Representation expenses	(178.090)	(65.432)
Maintenance expenses	(63.763)	(44.832)
Other miscellaneous expenses	(1.362.301)	(957.976)
	<u>(15.071.204)</u>	<u>(11.972.962)</u>

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16. OPERATING EXPENSES BY NATURE (Continued)

The detail of marketing, selling and distribution expense for the periods between 1 January – 31 March 2016 and 2015 is as follows:

	1 January- 31 March 2016	1 January- 31 March 2015
Marketing, selling and distribution expenses (-)		
Personnel expenses	(1.491.041)	(1.024.569)
Representation expenses	(31.725)	(22.307)
Travel expenses	(201.199)	(191.433)
Insurance expenses	(100.500)	(56.647)
Rent expenses	(74.308)	(47.782)
Communication and advertising expenses	(33.275)	(28.290)
Consultancy expenses	(18.558)	(5.677)
Depreciation and amortization expenses	(9.467)	(11.326)
Other miscellaneous expenses	(263.419)	(329.890)
	<u>(2.223.492)</u>	<u>(1.717.921)</u>

17. OTHER OPERATING INCOME AND EXPENSES

	1 January- 31 March 2016	1 January- 31 March 2015
Other operating income		
Time deposit interest income (less than three months)	6.760.322	451.715
Foreign exchange gain from operating activities	5.804.175	11.645.944
Overdue and interest income from operating activities	418.845	331.034
Sales of scrap and miscellaneous material	213.828	808.437
Released provisions (Note 6/12)	295.570	898.430
Other income	209.495	477.808
	<u>13.702.235</u>	<u>14.613.368</u>

	1 January- 31 March 2016	1 January- 31 March 2015
Other operating expense		
Foreign exchange loss from operating activities	(4.435.639)	(5.699.088)
Provision expenses (6/12)	(1.590.459)	(91.232)
Compensation and penalty expenses	(807.254)	(77.687)
Interest expense of retirement pay provision	(178.934)	(152.037)
Donations and grants	(15.268)	(90.081)
Other expenses	(561.314)	(1.573.884)
	<u>(7.588.868)</u>	<u>(7.684.009)</u>

18. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

	1 January- 31 March 2016	1 January- 31 March 2015
Income from investment activities		
Rent income	395.995	476.045
Fixed assets sales income	19.524	109.202
	<u>415.519</u>	<u>585.247</u>

	1 January- 31 March 2016	1 January- 31 March 2015
Expense from investment activities (-)		
Fixed asset sales expense	-	(23.194)
	<u>-</u>	<u>(23.194)</u>

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19. FINANCIAL INCOME / EXPENSE

	1 January- 31 March 2016	1 January- 31 March 2015
Financial expenses		
Interest expenses	(6.018.330)	(611.205)
Foreign exchange loss on bank borrowings	(584.865)	(2.151.085)
Other financial expenses	(272.215)	(326.512)
Total financial expenses	(6.875.410)	(3.088.802)

20. 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.

As of 31 March 2016 and 31 December 2015, corporate tax payables are summarized as follows:

	31 March 2016	31 December 2015
Corporate tax payable		
Current period corporate tax provision	(11.840.691)	(58.310.212)
Prepaid taxes and funds (-)	(14.076)	47.552.569
	(11.854.767)	(10.757.643)

The detail of the tax expenses is as follows:

	1 January- 31 March 2016	1 January- 31 March 2015
Current period corporate tax expense		
Current period corporate tax expense	(11.840.691)	(10.150.049)
Deferred tax income / (expense)	(1.323.520)	(187.242)
	(13.164.211)	(10.337.291)

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20. INCOME TAXES (Continued)

The details of the deferred tax assets and liabilities of the Group as of 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016	31 December 2015
Deferred tax assets:		
Tax losses carried forward (*)	2.777.825	3.612.190
Provision for employee benefits	5.683.010	5.916.524
Provision for litigations	2.553.410	2.509.653
Recultivation provision	947.699	898.276
Rediscount of receivables	439.026	405.515
Inventory impairment provision	720.463	720.698
Provision for other receivables	446.598	445.411
Other	3.078.676	4.203.590
	<u>16.646.707</u>	<u>18.711.857</u>
Deferred tax liabilities:		
Goodwill	(24.589.322)	(24.589.322)
Property, plant and equipment and intangible assets	(9.825.802)	(10.298.985)
Rediscount of payables and borrowings	(288.777)	(135.525)
	<u>(34.703.901)</u>	<u>(35.023.832)</u>
Net deferred tax asset / (liability)	<u>(18.057.194)</u>	<u>(16.311.975)</u>
	31 March 2016	31 December 2015
The balance sheet presentation of the deferred tax (assets) / liabilities :		
Deferred tax (assets)	6.723.142	7.201.772
Deferred tax liabilities	(24.780.336)	(23.513.747)
	<u>(18.057.194)</u>	<u>(16.311.975)</u>

(*)The subsidiaries of the Group located in foreign countries have total TRY 9.231.403 carried forward tax losses as of 31 March 2016 (31 December 2015: TRY 12.240.203).

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

	1 January- 31 March 2016	1 January- 31 March 2015
Deferred tax assets/ liabilities movement		
Opening balance	16.311.975	20.653.741
Deferred tax (income)/expense	1.323.520	187.242
Other accounted under equity	2.601.510	(56.318)
Currency translation difference	(2.179.811)	1.287.807
Closing balance	<u>18.057.194</u>	<u>22.072.472</u>

Assets related to the current period taxes

	31 March 2016	31 December 2015
Assets related to the current period taxes		
Prepaid taxes and funds	785.913	389.491
	<u>785.913</u>	<u>389.491</u>

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21. 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 2016	1 January- 31 March 2015
Number of shares	135.084.442	135.084.442
Profit attributable to equity holders of the parent – TRY	47.446.544	42.724.394
Dividend per share with nominal value of 1 Kr – TRY	0,3512	0,3163

Dividends distributed per share:

The dividend per share distributed in 2016 from 2015 profit is stated below:

Dividend amount distributed	201.275.819
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	1,4900

The dividend per share distributed in 2015 from 2014 profit is stated below:

Dividend amount distributed	174.529.099
Number of shares with nominal value of 1 Kr	135.084.442
Dividend per share (Kr)	1,2920

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.

22. 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 2016 and 31 December 2015 and the related party transactions for the years ended 31 March 2016 and 31 March 2015 are mainly as follows:

Trade receivables from related parties (short term)

	31 March 2016	31 December 2015
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	3.075	3.075
	3.075	3.075

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22. RELATED PARTY DISCLOSURES (Continued)

Trade payables to related parties (short term)

	31 March 2016	31 December 2015
Enerjisa Enerji A.Ş. ^{(3)(*)}	21.292.506	29.696.666
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	16.134	-
	<u>21.308.640</u>	<u>29.696.666</u>

(*)This trade payable amount covers TRY 21.024.526 to Enerjisa Elk. Enrj.Toptan Satış A.Ş., TRY 266.522 to Enerjisa Elektrik Perakende Satış A.Ş. and TRY 1.458 to Enerjisa Enerji Üretim A.Ş. (31 December 2015: TRY 29.394.063, TRY 299.788, TRY 2.815 respectively.)

Other payables to related parties (short term)

	31 March 2016	31 December 2015
Ortaklara temettü borcu (*)	84.685.200	-
Bimsa Uluslararası İş Bilgi ve Yön. Sistemleri A.Ş. ⁽²⁾	315.589	1.728.656
Aksigorta A.Ş. ⁽³⁾	5.747	137.200
Other	35.211	35.211
	<u>85.041.747</u>	<u>1.901.067</u>

(*) The decision to distribute dividend of TRY 201.275.819 from the 2015 profit was unanimously approved by the Ordinary General Assembly held on 28 March 2016. Within the dividend distribution process, which has a payout ratio of gross; 149,00%, net; 126,65%, the first part of the dividend receivables; TRY 116.590.618 of the recorded shares traded on the stock exchange were transferred to the accounts in the Settlement and Custody Bank Inc. (Takasbank A.Ş) of the relevant members on 30 March 2016, and the remaining on 1 April 2016.

Bank balances deposited in related parties

	31 March 2016	31 December 2015
Akbank T.A.Ş. ⁽²⁾	241.160.185	221.357.996
	<u>241.160.185</u>	<u>221.357.996</u>

Borrowings from related parties

	31 March 2016	31 December 2015
Akbank T.A.Ş. ⁽²⁾	14.601.070	21.736.985
	<u>14.601.070</u>	<u>21.736.985</u>

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22. RELATED PARTY DISCLOSURES (Continued)

Sales to related parties

	1 January- 31 March 2016	1 January- 31 March 2015
Enerjisa Enerji A.Ş. ^{(3) (*)}	1.836	5.596
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	-	66.143
	<u>1.836</u>	<u>71.739</u>

(*) TRY 1.836 is the sale to Enerjisa Elektrik Dağıtım A.Ş. (31 March 2015: TRY 5.596 Enerjisa Enerji Üretim A.Ş.,)

Purchases and services received from related parties

	1 January- 31 March 2016	1 January- 31 March 2015
Enerjisa Enerji A.Ş. ^{(3) (*)}	22.461.463	12.447.708
Aksigorta A.Ş. ⁽³⁾	4.151.999	3.744.095
Bimsa Uluslararası İş Bilgi ve Yön. Sis. A.Ş. ⁽²⁾	722.273	946.490
Akçansa Çimento Sanayi ve Ticaret A.Ş. ⁽³⁾	222.663	189.339
Avivasa Emeklilik ve Hayat A.Ş. ⁽³⁾	245.285	185.278
Other	-	150.000
	<u>27.803.683</u>	<u>17.662.910</u>

(*) TRY 18.019.792 is the purchases from Enerjisa Elektrik Toptan Satış A.Ş., while TRY 4.441.671 is from Enerjisa Elektrik Perakende Satış A.Ş., (31 March 2015: TRY 11.730.632, TRY 717.076 respectively)

The Group purchases goods from Akçansa Çimento Sanayi ve Ticaret A.Ş., receives electrical energy from Enerjisa Enerji A.Ş. and receives services from other related parties.

Interest income from related parties

	1 January- 31 March 2016	1 January- 31 March 2015
Akbank T.A.Ş. ⁽²⁾	6.125.785	211.713
	<u>6.125.785</u>	<u>211.713</u>

Interest expense from related parties

	1 January- 31 March 2016	1 January- 31 March 2015
Akbank T.A.Ş. ⁽²⁾	(201.290)	(615.895)
	<u>(201.290)</u>	<u>(615.895)</u>

(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 TRY 3.626.075 (31 March 2015 – TRY 3.084.772). The salaries paid are TRY 3.496.967TL (31 March 2015– TRY 2.998.199 and contributions paid to Social Security Institution are TRY 129.108 (31 March 2015– TRY 86.573).

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23. FOREIGN CURRENCY RISK

As of 31 March 2016 and 31 December 2015, the Group’s foreign currency position in terms of the original currency is as follows:

	31 March 2016				31 December 2015			
	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
Trade receivables	136.277.049	25.094.151	20.315.851	-	133.802.631	23.137.403	20.936.656	-
Monetary financial assets	3.442.625	1.087.214	99.765	10.316	3.667.216	993.012	230.945	10.716
Current Assets	139.719.674	26.181.365	20.415.616	10.316	137.469.847	24.130.415	21.167.601	10.716
TOTAL ASSET	139.719.674	26.181.365	20.415.616	10.316	137.469.847	24.130.415	21.167.601	10.716
Trade payables	25.642.881	6.532.013	2.210.490	10.696	56.371.158	12.481.326	6.247.806	52.881
Financial liabilities	99.872.100	16.000.000	17.000.000	-	100.540.800	16.000.000	17.000.000	-
Short-term Liabilities	125.514.981	22.532.013	19.210.490	10.696	156.911.958	28.481.326	23.247.806	52.881
TOTAL LIABILITIES	125.514.981	22.532.013	19.210.490	10.696	156.911.958	28.481.326	23.247.806	52.881
Net foreign currency asset / liability position for monetary items (*)	14.204.693	3.649.352	1.205.127	19.615	4.436.001	(3.068.394)	3.733.853	5.814
Export	75.780.882	15.085.932	9.877.273	330.943	321.929.546	65.389.452	39.257.015	1.641.613
Import	29.970.779	5.205.384	4.744.816	-	123.844.567	35.707.200	6.301.080	-

(*)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

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23. FOREIGN CURRENCY RISK (Continued)

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

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

	Profit /Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 March 2016				
1- USD net assets / liabilities	1.034.007	(1.034.007)	1.034.007	(1.034.007)
2- Hedged portion of USD risk (-)	-	-	-	-
4- USD net effect (1+2+3)	1.034.007	(1.034.007)	1.034.007	(1.034.007)
5- Net EUR assets/liabilities	386.617	(386.617)	386.617	(386.617)
6- Hedged portion of EUR risk (-)	-	-	-	-
8- EUR net effect (5+6+7)	386.617	(386.617)	386.617	(386.617)
9- Net GBP assets/liabilities	(155)	155	(155)	155
10- Hedged portion of GBP risk (-)	-	-	-	-
12- GBP net effect (9+10+11)	(155)	155	(155)	155
TOTAL (4+8+12)	1.420.469	(1.420.469)	1.420.469	(1.420.469)

	Profit /Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
31 December 2015				
1- USD net assets / liabilities	(1.265.071)	1.265.071	(1.265.071)	1.265.071
2- Hedged portion of USD risk (-)	-	-	-	-
4- USD net effect (1+2+3)	(1.265.071)	1.265.071	(1.265.071)	1.265.071
5- Net EUR assets/liabilities	(661.006)	661.006	(661.006)	661.006
6- Hedged portion of EUR risk (-)	-	-	-	-
8- EUR net effect (5+6+7)	(661.006)	661.006	(661.006)	661.006
9- Net GBP assets/liabilities	(18.134)	18.134	(18.134)	18.134
10- Hedged portion of GBP risk (-)	-	-	-	-
12- GBP net effect (9+10+11)	(18.134)	18.134	(18.134)	18.134
TOTAL (4+8+12)	(1.944.211)	1.944.211	(1.944.211)	1.944.211

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24. REPORTING IN HYPERINFLATION 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 2016 and 31 December 2015 have been restated by applying the relevant conversion factors through 31 December 2004 and carrying additions after 31 December 2004 at their nominal values.

25. SUBSEQUENT EVENTS

None.