(Convenience translation into English of the independent auditors' report and financial statements originally issued in Turkish – See Note 31)

Batısöke Söke Çimento Sanayii T.A.Ş.

Financial statements for the period between January 1 - December 31, 2019 and independent auditors' report

(Convenience translation into English of the financial statements originally issued in Turkish – See Note 31)

Batısöke Söke Çimento Sanayii T.A.Ş.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi;

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Batısöke Söke Çimento Sanayii Türk Anonim Şirketi Company which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (IAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

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Key audit matters	How the key audit matter addressed in the Auditor's response
Inventory Impairment	
The Company evaluates its inventories at the lower of cost or net realizable value. Net realizable value is the value of an asset that can be realized upon the sale of the asset , less a reasonable estimate of the costs associated with either the eventual sale or the disposal asset in question. Inventory provisions require management to make significant accounting estimates and judgements. Thus, we have considered the provisions against inventories to be a key audit matter. As of 31 December 2019, the Company has TL 113.631.471 inventories and has a total provision amounting to TL 13.257.608. The explanations on inventories are presented in Note 9.	During our audit, the following audit procedures have been applied related to provision for inventory impairment: -Understanding the accounting policy related to provisions for inventory impairment and assessing its appropriateness, -Comparing the inventory turnover rate with previous year, -Observing whether non-moving or damaged inventories existence, during year-end stock counts, -Testing sales prices deducted by discount used in net realizable value calculation. - Evaluation of the adequacy of explanations in financial statements for inventories.

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Key audit matters	How the key audit matter addressed in the Auditor's response
Recognition of deferred tax assets calculated over carry forward tax losses	
According to Turkish tax legislation, tax losses shown in the tax return can be deducted from the period corporate income for not more than 5 years. As of December 31, 2019, the accumulated losses of the Group are TL 352.744.096. The Company benefits from a reduction in corporate tax calculation due to the cash capital increase in paid or issued capital amounts under the law. As indicated Note 24, the Company has TL 8.458.477 deferred tax asset which is calculated over carry forward tax losses as of December 31, 2019 and deferred tax assets amounting to TL 19.649.113 calculated based on cash capital increase discount. Partially or fully recoverable amount of deferred tax asset which is recognized has been estimated by Company management according to assumptions in the current conditions. Business plans for the future, the loss amounts incurred in previous years and the expiration dates of unused losses are taken in the consideration during the assessment. There is an uncertainty about the estimation of taxable profit in the future supporting to which extent the deferred tax will be recognized. For this reason, matter is considered as key audit matter. Explanations on deferred tax assets are presented in Note 24.	During our audit, we have inquired management evaluation about recoverability of tax assets by examining future business plans and expire date of carry forward tax losses. During evaluation phase, profit projections, current year profit or losses, expiry date of carry forward losses and other tax assets have been taken into consideration. In order to investigate deferred tax effect of unused tax losses, tax experts from another entity that is a part of the same audit network have been incorporated and the measurement of the related deferred tax assets has been submitted for consideration and investigation of tax experts. Besides, convenience to TFRS of disclosures in financial statements have been evaluated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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5) Auditor's Responsibilities for the Audit of the Financial Statement

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

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 2, 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting

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

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

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

Cem Uçarlar, SMMM
Engagement Partner

March 2, 2020
İstanbul, Turkey

Statements of financial position
for the year ended December 31, 2019
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

	Note	Current period Audited December 31, 2019	Prior period Audited December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	3	**50.588.796**	11.830.347
Trade receivables			
- Trade receivables from related parties	7, 26	**9.200.823**	6.891.487
- Trade receivables from third parties	7	**24.210.468**	41.268.378
Other receivables			
- Other receivables from related parties	8	**158.415**	644.666
- Other receivables from third parties	8	**204.568**	177.214
Derivative financial instruments	27	**-**	186.429
Inventories	9	**100.373.863**	78.473.685
Prepaid expenses	10	**1.502.055**	2.594.923
Current tax assets	24	**107.830**	46.664
Other current assets	15	**45.256.470**	21.087.283
Total current assets		**231.603.288**	163.201.076
Non-current assets			
Financial investment	4	**24.410.036**	17.772.866
Other receivables			
- Other receivables from third parties	8	**305.241**	305.241
Investments accounted under equity method	5	**31.937.731**	33.473.983
Property, plant and equipment	11	**1.005.058.093**	1.030.909.589
Right-of-use assets		**198.119**	-
Intangible assets	12	**414.899**	453.619
Prepaid expenses	10	**493.175**	3.133.931
Deferred tax assets	24	**41.662.314**	33.848.774
Total non-current assets		**1.104.479.608**	1.119.898.003
Total assets		**1.336.082.896**	1.283.099.079

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

Statements of financial position
for the year ended December 31, 2019 (continued)
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Note	Current period Audited December 31, 2019	Prior period Audited December 31, 2018
Liabilities			
Current liabilities			
Short term borrowings	6	**198.299.130**	65.118.073
Current portion of long-term borrowings	6	**86.014.568**	88.317.172
Trade payables			
- Trade payables to related parties	7, 26	**3.404.060**	4.222.135
- Trade payables to third parties	7	**60.280.999**	109.149.204
Liabilities for employee benefits	14	**2.439.543**	1.606.406
Other payables			
- Other payables to related parties	26	**60.241.406**	80.000
- Other payables to third parties	8	**909.213**	987.396
Deferred incomes	10	**-**	10.521.800
Other short-term liabilities	15	**1.856.201**	1.643.882
Total current liabilities		**413.445.120**	281.646.068
Non-current liabilities			
Long-term financial liabilities	6	**614.037.148**	502.336.656
Long term provisions			
- Provisions for long-term employee benefits	14	**14.180.618**	11.591.426
- Other long-term provisions	13	**4.020.207**	3.452.546
Total non-current liabilities		**632.237.973**	517.380.628
Total liabilities		**1.045.683.093**	799.026.696
Equity			
Share capital	16	**400.000.000**	400.000.000
Adjustment to share capital	16	**59.824.631**	59.824.631
Treasury shares		**(191.117)**	(191.117)
Share premium (discounts)		**511.025**	511.025
Other comprehensive income / expense not to be reclassified to profit or loss			
- Revaluation surplus for tangible assets	16	**57.547.395**	57.547.395
- Remeasurement gain/(loss) arising from defined benefit plan	16	**(1.629.758)**	(351.912)
Other comprehensive income / expense to be reclassified to profit or loss			
- Fair value through other comprehensive income of gain (loss) from financial assets	16	**3.845.460**	(2.459.852)
Restricted reserves		**20.177.875**	20.177.875
Retained earnings		**(50.985.662)**	25.580.049
Net profit (loss) for the period		**(198.700.046)**	(76.565.711)
Total equity		**290.399.803**	484.072.383
Total liabilities and equity		**1.336.082.896**	1.283.099.079

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

Batısöke Söke Çimento Sanayii T.A.Ş

Statement of profit or loss and other comprehensive income for the year ended December 31, 2019
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

Profit or loss portion	Note	Current period Audited January 1 – December 31, 2019	Prior period Audited January 1 – December 31, 2018
Revenue	17	**237.007.484**	285.553.613
Cost of sales	17	**(268.786.379)**	(207.327.060)
Operating profit		**(31.778.895)**	78.226.553
Gross profit		**(31.778.895)**	78.226.553
General administrative expenses	18	**(17.232.453)**	(16.665.964)
Marketing expenses	18	**(44.874.877)**	(23.167.955)
Other operating income	20	**20.323.756**	22.839.548
Other operating expenses	20	**(23.413.049)**	(20.582.157)
Operating profit (loss)		**(96.975.518)**	40.650.025
Income from investment activities	21	**943.647**	611.678
Share of loss of investment accounted for using the equity method	5	**(1.536.252)**	(6.302.486)
Operating profit before financing income (expense)		**(97.568.123)**	34.959.217
Financial income	22	**730.343**	20.137.022
Financial expenses	23	**(109.688.202)**	(164.663.501)
Loss before tax from continuing operations		**(206.525.982)**	(109.567.262)
Current tax income (expenses)			
Deferred tax income (expenses)	24	**7.825.936**	33.001.551
Net profit (loss) from continuing operations		**(198.700.046)**	(76.565.711)
Earnings/(loss) per share	25	**(0,4968)**	(0,2511)
Operating profit before financing income (expense)			
Items that will not be reclassified subsequently to profit or loss			
- Deferred tax impact of revaluation gain (loss) of tangible assets	16	**(1.597.308)**	(110.778)
- Deferred tax impact of remeasurement gain (loss) arising from defined benefit plan	16	**319.462**	22.156
Items that will be reclassified subsequently			
- The gain(losses) from the change in the fair value of the financial assets that is charged to other comprehensive income	16	**6.637.170**	(14.609.969)
- The change in the fair value of the financial assets that is charged to other comprehensive income, tax effect	16	**(331.858)**	730.498
Other comprehensive income (loss)		**5.027.466**	(13.968.093)
Total comprehensive income (loss)		**(193.672.580)**	(90.533.804)

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

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of changes in equity
for the year ended December 31, 2019
(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

					Other comprehensive income (loss) not to be reclassified to profit or loss		Other comprehensive income (loss) to be reclassified to profit or loss		Accumulated profits		
	Share capital	Share capital adjustment differences	Treasury shares	Premiums for shares	Revaluation surplus	Remeasurement gain/(loss) arising from defined benefit plan	Fair value through other comprehensive income of gain (loss) from financial assets	Restricted reserves	Retained earnings	Net profit (loss) for the period	Equity
Balance as of January 1, 2018	260.000.000	59.824.631	(136.571)	381.989	57.547.395	(263.290)	11.419.619	20.177.875	57.103.198	(31.523.149)	434.531.697
Transfers	-	-	-	-	-	-	-	-	(31.523.149)	31.523.149	-
Total comprehensive income	-	-	-	-	-	(88.622)	(13.879.471)	-	-	(76.565.711)	(90.533.804)
- Net profit (loss) for the period	-	-	-	-	-	-	-	-	-	(76.565.711)	(76.565.711)
- Other comprehensive income (loss)	-	-	-	-	-	(88.622)	(13.879.471)	-	-	-	(13.968.093)
Capital increase	140.000.000	-	-	129.036	-	-	-	-	-	-	140.129.036
Increase (decrease) due to share repurchase transactions	-	-	(54.546)	-	-	-	-	-	-	-	(54.546)
Balance as of December 31 2018	400.000.000	59.824.631	(191.117)	511.025	57.547.395	(351.912)	(2.459.852)	20.177.875	25.580.049	(76.565.711)	484.072.383
Balance as of January 1, 2019	**400.000.000**	**59.824.631**	**(191.117)**	**511.025**	**57.547.395**	**(351.912)**	**(2.459.852)**	**20.177.875**	**25.580.049**	**(76.565.711)**	**484.072.383**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(76.565.711)**	**76.565.711**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1.277.846)**	**6.305.312**	**-**	**-**	**(198.700.046)**	**(193.672.580)**
- Net profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(198.700.046)**	**(198.700.046)**
- Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(1.277.846)**	**6.305.312**	**-**	**-**	**-**	**5.027.466**
Balance as of December 31, 2019	**400.000.000**	**59.824.631**	**(191.117)**	**511.025**	**57.547.395**	**(1.629.758)**	**3.845.460**	**20.177.875**	**(50.985.662)**	**(198.700.046)**	**290.399.803**

Batısöke Söke Çimento Sanayii T.A.Ş.

Statement of cash flows
for the year ended December 31, 2019
(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

	Note	Current period Audited January 1 - December 31, 2019	Prior period Audited January 1 - December 31, 2018
A. Cash Flows from Operating Activities		**(142.450.555)**	55.458.600
Net profit (loss)			
Net profit (loss) for the year from continued operations (I)		**(198.700.046)**	(76.565.711)
Adjustments to reconcile net profit (loss) for the period: (II)		**160.960.007**	129.420.231
Adjustments related to depreciation and amortization expenses	11,12	**50.986.215**	17.600.388
Adjustments related with impairment			
- Adjustments related to inventory (reversal) impairment	9	**13.257.608**	-
Adjustments related with provisions			
- Adjustments related to provisions (reversal) of employee benefits	14	**2.335.491**	2.356.893
- Adjustments related to industry specific provisions	13	**567.661**	550.398
Dividends received (paid)			
- Adjustments related to interest income	21	**(893.542)**	(597.619)
- Adjustments related to interest expenses	23	**39.077.998**	9.918.232
- Discount on trade payables	20	**(4.191.036)**	(9.482.674)
- Discount on trade receivables	20	**5.031.219**	5.718.587
Adjustments related to unrealized foreign exchange differences		**60.941.753**	130.255.579
Adjustments related to loss (gain) on fair value			
- Adjustments related to loss (gain) on derivative financial instruments	27	**186.429**	(186.429)
Share of profits from equity accounted investee	5	**1.536.252**	6.302.486
Adjustments to tax (income) expense	24	**(7.825.936)**	(33.001.551)
Adjustments related to loss (gain) on disposal of property , plant and equipment			
- Adjustments related to loss (gain) on disposal of property , plant and equipment	21	**(50.105)**	(14.059)
Movements in working capital (III)		**(103.305.743)**	3.198.093
Adjustments related with decrease (increase) in trade receivables		**9.717.355**	7.684.897
Adjustments related to decrease (increase) in other receivables from operations			
- Adjustments related to the decrease (increase) in trade receivables from related parties		**486.251**	(468.552)
- Adjustments related to the decrease (increase) in trade receivables from third parties		**2.126.091**	13.853
Adjustments related to the decrease (increase) in inventories		**(35.157.786)**	(52.303.079)
Decrease (increase) in prepaid expenses		**1.092.868**	(1.662.723)
Adjustments related to increase (decrease) in trade payables		**(45.495.244)**	35.561.117
Increase (decrease) in payables to employee benefits		**833.137**	71.453
Adjustments related to increase (decrease) in other payables from operations			
- Adjustments related to the increase (decrease) in other payables from third parties		**(331.859)**	(4.302.121)
Adjustments related to increase (decrease) in working capital			
- Decrease (increase) in other assets from operations		**(26.188.892)**	17.588.505
- Increase (decrease) in other liabilities from operations		**(10.387.664)**	1.014.743
Cash flows provided by operating activities (I+II+III)		**(141.045.782)**	56.052.613
Employee termination benefits paid	14	**(1.343.607)**	(978.144)
Taxes refunded (paid)	24	**(61.166)**	384.131
B. Cash flows from investing activities		**(21.511.596)**	(126.363.602)
Proceeds from disposal of property, plant and equipment and intangible assets			
- Proceeds from disposal of property, plant and equipment		**182.397**	-
Payments for acquisition of property, plant and equipment and intangible assets			
- Payments for acquisition of property, plant and equipment	11	**(25.228.291)**	(126.561.970)
Cash advances given and liabilities	10	**2.640.756**	(399.251)
Interest received	21	**893.542**	597.619
C. Cash flows from financing activities		**202.720.600**	78.963.694
Cash inflows from issuing shares and other equity instruments			
- Cash inflows from share issuance		**-**	140.074.490
Cash inflows from borrowings			
- Proceeds from borrowings	6	**367.751.131**	147.388.137
Cash outflows on repayment of borrowings			
- Cash outflows on repayment of borrowings	6	**(162.256.181)**	(159.422.928)
Increase in other liabilities from related parties		**60.161.407**	(16.610.250)
Interest paid	6	**(62.935.757)**	(32.465.755)
Net increase (decrease) in cash and cash equivalents (A+B+C)		**38.758.449**	8.058.692
D. Cash and cash equivalents at the beginning of the period	3	**11.830.347**	3.771.655
Cash and cash equivalents at the end of the period (A+B+C+D)	3	**50.588.796**	11.830.347

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

1. Organization and operations of the company

Batısöke Söke Çimento Sanayii T.A.Ş. ("Company") was established in accordance with the Turkish Trade Law in 1955 in Aydın, Turkey.

The Company's headquarters is located at Ankara Caddesi No: 335, Bornova, İzmir. The Company performs its production activities at Atatürk Mahallesi Aydın Caddesi No: 234, Söke, Aydın. Also, the Company has a grinding and packaging facility at Çavdır, Burdur.

The Company is registered under the Capital Markets Board ("CMB") and since 2000 its stocks are traded in Borsa Istanbul Anonim Şirketi ("Borsa Istanbul"). The immediate parent and ultimate controlling party of the Company is Batıçim Batı Anadolu Çimento Sanayii A.Ş. ("Batıçim") with 74,62% share.

The Company's principal activities are production and marketing cement and clinker.

As of December 31, 2019, the Company has 382 employees (December 31, 2018: 384).

2. Presentation of the financial statements

2.1 Basis of presentation

The Company keeps its legal books and prepares their statutory financial statements in accordance with Article 6102 of the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The accompanying 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. It was also presented in accordance with the TMS taxonomy published by the UPS on April 15, 2019.

In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 no 2013/19 of the CMB.

Financial statements are prepared on the basis of historical cost except for the derivative financial instruments measured at fair value and lands, land improvements and buildings measured at fair value in accordance with TAS 16 revaluation model.

2. Presentation of the financial statements (continued)

Functional and reporting currency

The Company determines the currency (functional currency) of the primary economic environment in which the entity operates in accordance with the TAS 21 Currency Exchange Transactions in preparation of its financial statements and prepares its financial statements in that currency. The results and financial position are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

Going concern

The financial statements of the Company as of 31 December 2019 have been prepared in accordance with the principle of "Going concern". However, as of December 31, 2019, the Company's short-term liabilities exceeded its current assets by TL 181.841.831, and the Company's period loss for the year that ended on the same date amounted to TL 198.700.046. This situation indicates that there is a significant uncertainty that may cause suspicion about the continuity of the Business. The plans and measures of the company management regarding this situation are given below.

The company plans to increase the amount of production greatly with the new facility being reopened in 2020 and subsequent years, to reduce the fuel costs together with the energy efficiency that will be used in this facility, to increase the performance of the facility, thereby improving gross profitability and cash flows. In addition, the main shareholder of the Company is considering providing financial support to the Company at the required level so that loan repayments can be made on due date. In addition, the shareholder declared in his support letter dated 2 March 2020 that they will support the Company in carrying out its activities for at least one year from 31 December 2019.

The Company Management has prepared an action plan for strengthening the financial structure and fulfilling its existing commercial and non-commercial liabilities. According to this plan, measures to increase income and to diversify, as well as to reduce costs, have been planned and have been partially implemented as of the publication date of these financial statements.

The Company's plans and precautions regarding this situation are given below.

1) As stated in Note 16, the Company increased its capital ceiling to TL 800.000.000 in 2019.

2) Overseas sales continue, and efforts are made to increase them. Accordingly, financing costs are kept low by using low-cost export credits from Eximbank.

Approval of the financial statements

Financial statements were approved by the Board of Directors on March 2, 2020. The General Assembly and related legal entities have the right to amend the financial statements prepared in accordance with legal regulations and these financial statements.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

2. Presentation of the financial statements (continued)

Shares in associates and financial investments

It is an entity outside of the subsidiaries and joint ventures that the Company has significant influence over. Significant effectiveness is the ability to participate in decisions on an entity's financial and operational policies, without the ability to control it solely or jointly. In the accompanying financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting

Investments accounted for under the equity method are shown on the basis of the amount obtained by deducting any impairment in the associate from the cost of the investment in the net assets of the associate as a result of adjusting the amount of the change in the post-acquisition period. Losses that exceed the Company's share in the associate (including any long-term investment that essentially constitutes part of the Company's net investment in the Company) are not recognized in the records. Additional loss is the case if the Company has been exposed to legal or tangible obligation or has made payments on behalf of the subsidiary.

Goodwill is recorded as the excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the purchase consideration at the acquisition date of the associate. Goodwill is included in the carrying amount of the investment and is reviewed for impairment as part of the investment. The excess of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition of the subsidiary at the date of acquisition is recognized in the profit or loss table after revaluation.

If an indication of impairment exists related to an investment in an associate, the carrying amount of the investment is tested as a single asset in terms of impairment in accordance with IAS 36 by comparing the book value with the recoverable amount of the investment (the value of the use and the fair value less costs to sell). If the recoverable amount of the investment in the associate subsequently increases, such impairment loss is reversed in accordance with TAS 36.

Details of the Company’s subsidiaries and other financial assets as of December 31, 2019 and December 31, 2018 are as follows:

			Proportional ownership interest and voting power held by the company (%)	
Subsidiaries	**Main Operations**	**Location**	**December 31, 2019**	December 31, 2018
Batıçim Enerji Elektrik Üretim A.Ş. (Batıçim Enerji)	Production and sale of electricity	Izmir, Turkey	**30,02**	30,02

			Proportional ownership interest and voting power held by the company (%)	
Financial Investments	**Main Operations**	**Location**	**December 31, 2019**	December 31, 2018
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	Clinker, cement production and sale	Izmir, Turkey	**4,09**	4,09

2. Presentation of the financial statements (continued)

2.2 Changes in accounting policies and reporting standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2019 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, 2019. The effects of these standards and interpretations on the Company’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, 2019 are as follows

IFRS 16 Leases

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

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

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

Transition to TFRS 16:

The Company adopted TFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

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

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

2. Presentation of the financial statements (continued)

Transition effects to TFRS 16 are as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019):

Assets	
Right of use assets	413.980
Liabilities	
Lease liabilities	413.980

As of January 1, and December 31, 2019, the right of use assets and in the relevant period Depreciation and amortization expenses are as follows:

	Vehicles	**Total**
Opening balance, January 1	413.980	413.980
Depreciation expense	(215.861)	(215.861)
Closing balance, December 31	198.119	198.119

As of December 31, 2019, effects on financial statement and income statement increase / (decrease):

	Before the change	**Effects of the new standard**	**After the change**
Right-of-use assets	-	198.119	198.119
Deferred tax assets	41.655.676	6.638	41.662.314
Short term borrowings	198.070.837	228.293	198.299.130
Cost of sales (-)	(268.894.807)	108.428	(268.786.379)
General administrative expenses (-)	(17.118.327)	(114.126)	(17.232.453)
Marketing expenses (-)	(44.911.985)	37.108	(44.874.877)
Financing expenses (-)	(109.626.618)	(61.584)	(109.688.202)
Deferred tax income	7.819.298	6.638	7.825.936
Net period loss	(198.676.510)	(23.536)	(198.700.046)

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

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. These amendments are applied for annual periods beginning on or after 1 January 2019. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Presentation of the financial statements (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

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

When there is uncertainty over income tax treatments, the interpretation addresses:

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

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

2. Presentation of the financial statements (continued)

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

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

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

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

2. Presentation of the financial statements (continued)

The amendments:

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

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

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

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

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

2. Presentation of the financial statements (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)

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.3 Comparative information and restatement of previous year financial statements

In order to allow for the determination of financial situation and performance trends, the Company's financial statements have been presented comparatively with the previous year. For the purpose of having consistency with the current term's presentation of financial statements, comparative data is reclassified, and significant differences are explained if necessary.

2.4 Summary of important accounting policies

If there are any Accounting policy changes arising from the first application of a new standard, are applied retroactively or in accordance with the transition provisions. Significant changes in the accounting policy or changes in accounting policies that are not included in any transition clause are applied retrospectively and the financial statements are restated in the previous period's consol.

Changes in the accounting estimates are applied prospectively, both in the period in which the change is made, and in the following periods, if the changes relate to future periods, in the current period in which the change is made.

The POA issued TFRS 16 "Leasing Transactions" standard in April 2018. The company started to use the TFRS 16 standard for the first time on January 1, 2019, by making use of the facilitating practices in transition to TFRS 16. As of January 1, 2019, the impact of TFRS 16 on the Company's financial statements is explained in Note 2.2. There has been no other change in the accounting policies of the Company in the current period.

Accounting policies, which are the basis for the preparation of the financial statements for the January 1-December 31, 2019 accounting period, have been applied consistently with the financial statements prepared as of December 31, 2019, with the exception of TFRS 16 Leasing Transactions.

Summary of new accounting policies

The Company has implemented TFRS 16 with a simplified approach. New accounting policies on the Company's application of TFRS 16 are given below.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2. Presentation of the financial statements (continued)

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The company used a 10% interest rate for lease contracts in euros. The company measures the lease obligation after the lease actually starts as follows:

(a) Increases the carrying amount to reflect the interest on the lease obligation, and
(b) Reduces the carrying value to reflect the rent payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

Sales of goods

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfill their performance obligations by transferring them to their customers. In the sale of property, when the control of the asset is received by the customers, the asset is transferred, and revenue is recognized. This usually happens when the asset is delivered to the customer. However, in cases where there is no alternative use for the company and there is a legally enforceable right of collection on the payment to be made against the completed performance until that day. The company transfers the control of the commodity over time and records the proceeds as time-consuming s production takes place.

The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

a) Ownership of the company’s right to collect goods or services,
b) the ownership of property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risk and rewards arising from the ownership of the goods or services,
e) It considers the conditions for the customer to accept the goods or services.

2. Presentation of the financial statements (continued)

At the beginning of the contract, the company evaluate whether the company has different performance commitments. The Company does not have an important service component identified in customer contracts.

The Company does not make any adjustments to the effect of an important financing component in the promised price at the beginning of the contract, if the period between the transfer date of the goods or service promised to the customer and the date when the customer pays the price of this goods or service will be one year or less. On the other hand, if there is an important financing element in the revenue, the revenue value is determined by reducing the future collections with the interest rate included in the financing element. The difference is recorded in the relevant periods as other income from the main activities on an accrual basis.

Dividend and interest income:

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 Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company 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.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

a) A person or a close member of that person's family is related to a reporting entity if that person,

   i. has control or joint control over the reporting entity,
   ii. has significant influence over the reporting entity,
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled or jointly controlled by a person identified in (a).
   vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Presentation of the financial statements (continued)

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. In the financial statements, the shareholders of the Company, the companies they own, their directors and other groups known to be related are defined as related companies.

The Company's top executives consist of the Chief Executive Officer and members.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

2. Presentation of the financial statements (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Costs of property, plant and equipment, except for land and buildings, are amortized on a straight-line basis over their expected useful lives. The estimated useful life, residual value and depreciation method are reviewed annually for the probable effects of changes in estimates and are recognized prospectively if there is a change in estimates.

The estimated useful lives of the property, plant and equipment owned by the Company are as follows:

	Year
Land improvements	15-30
Buildings	10-50
Furniture and fixtures	2-20
Facility, Machinery and equipment	3-25
Vehicles	4-10
Other tangible assets (mine assets)	10-30

Mining assets

Mineral assets owned by the Company; rehabilitation and closure of the minefields. Mineral assets are recognized over the cost of acquisition, net of accumulated depreciation and impairment, if any, after the deduction of impairment. Mineral assets begin to be amortized with the start of production. Depreciation expenses of mining assets are related to production cost.

Mineral assets are subject to depreciation in the event that their capacity is ready for full use and their physical condition will meet the production capacity determined by the Company's management.

In the presence of indicators of impairment, mining assets are tested against impairment in accordance with TAS 36, by being grouped into the smallest independent cash generating units and by comparing their recoverable amount and their carrying value in the financial statements. For purposes of assessing impairment, mining assets are recognized on the basis of cash-generating units. Impairment exists if the mining asset's or the cash generating unit's (which the asset belongs) carrying amount is higher than the amount recoverable from its sale after all costs associated with usage and selling have been deducted. Losses arising from impairment of mining assets are recognized as expenses in the statement of comprehensive income. The impairment loss is reviewed at each reporting period and subsequent increases in the recoverable amount of the asset impaired can be reversed by less than the original impairment amount, if the increase in the recoverable amount is related to an event occurring during the subsequent period.

2. Presentation of the financial statements (continued)

Cost of reclamation, rehabilitation and closure of mines comprise the provisioned amount for costs that are considered as highly probable to be incurred during the closure and rehabilitation of mines, discounted and recognized on the reporting date of the financial statements. These provisions are discounted at the reporting date with the discount rates, which are non-taxable and risk-free rates for the future expected cash flows, taking into consideration the market interest rate and the risk associated with the liability. The calculations are reviewed at each reporting date. The changes arising from the changes in the management estimates used for the calculation of the provision related to the conditioning, rehabilitation and closure of mining areas, are recognized in the reclamation of mining areas, rehabilitation and closure costs. On the other hand in determining the costs related to the reclamation, rehabilitation and closure of mines the depreciation rate used is the lower of; the remaining economic life of the mine, or the quantity of the mined amount during the period divided by the reserves left in the mine at the end of the period. Based on the scope of existing programs to prevent environmental pollution and protection of the environment is reflected in the statement of comprehensive income as an expense in the period in which the costs are incurred.

Intangible assets

Intangible assets consist of purchased computer software. The cost of the assets consists of the purchase price and the costs incurred during the purchase.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized over their estimated useful lives using the straight-line method. The estimated useful life and the depreciation method, in order to determine the possible effects of changes in estimates are reviewed each year and changes in estimates are accounted for prospectively. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized 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 difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The annual depreciation rates accordingly the estimated useful lives for intangible assets are as follows:

	Year
Rights	3-15
Assets subject to amortization	5

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. Presentation of the financial statements (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it is carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing costs

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it is carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

2. Presentation of the financial statements (continued)

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Financial assets

Classification

Company classifies its financial assets measured at amortized cost. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Company's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Accounting and Measurement

Financial assets measured at amortized cost is a non-derivative financial asset that is held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Company's financial assets which are recognized at amortized cost include, "cash and cash equivalents", "trade receivables", "trade payables", "other receivables", "financial investments. The aforementioned assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of profit and loss.

"Financial assets whose fair value difference is reflected in other comprehensive income", is a non-derivative financial asset that includes cash flows that are held only on principal dates and interest on certain dates under contractual terms and that are held within a business model aimed at collecting contractual cash flows and selling the financial assets. Gains or losses arising from the aforementioned financial assets are recognized in other comprehensive income with the exception of impairment gain or loss and foreign exchange gain or loss. For investments in equity-based financial assets, the Company may irrevocably choose the method of reflecting the subsequent changes in the fair value of other comprehensive income in the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the consolidated statement of profit and loss.

Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

2. Presentation of the financial statements (continued)

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below.

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

A financial instrument is both a contract that establishes the financial asset of a business and another entity's financial liability or equity instrument.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade Receivables

Trade receivables with fixed and determinable payments that are not traded in the market are classified in this category. Receivables (trade and other receivables, bank balances, cash and others) are shown by deducting impairment from their discounted cost using the effective interest method. Interest income is calculated and recorded according to the effective interest rate method, except when the rediscount effect is not significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note 3)

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

2. Presentation of the financial statements (continued)

Effect of foreign currency transactions

For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

Earnings per share

Earnings per share disclosed in the statement of profit or loss is determined by dividing net income by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

The cash in the paid-in capital is calculated by taking into account the date on which the weighted average common share capital increase for the current period's ordinary shares to be used in earnings (loss) calculations is calculated when there is a change in the name of the issued share capital from capital increase.

Events after the reporting period

Events after the reporting period are those events that occur between the reporting date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the reporting date.

Leases

Operational leasing

In 2018 and previous years, the leases where the lessor holds all the risks and benefits of the leased asset are classified as operational leases. Operational lease payments are recorded in the income statement throughout the lease period.

2. Presentation of the financial statements (continued)

Provisions and contingencies assets and liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honour the liability.

The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates.

Contingent assets and liabilities

A contingent liability is an obligation arising from a past event that is not fully under the control of the entity and arises from past events or events in which one or more non-contingent events occur in the future and can be verified; but not included in the financial statements for the following reasons:

(i) There is no possibility of leaving economically beneficial resources out of business to meet the obligation, or,
(ii) The amount of the obligation cannot be measured sufficiently reliably.

A contingent asset arises from past events and that is not in full control of the entity and whose existence will be confirmed if one or more uncertain events occur in the future.

The presentation of contingent assets in the financial statements is not included in the financial statements, as it may result in the recognition of an income that can never be obtained. However, if it is virtually certain that an income will be obtained, the asset is not a conditional asset and is reflected in the financial statements.

Segmental information

The Company operates in a single operating segment. Thus, additional segmental information is not given. The Company’s all significant assets, production process and distribution channels are located in Turkey. The business activities of the Company are being managed and organized according to the contents of the output that the Company either provide or serve.

Taxation on income

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its financial statements.

As of December 31, 2019, and 2018, the tax provision has been set aside under the current tax legislation.

2. Presentation of the financial statements (continued)

Current tax

Current tax expense is calculated considering tax legislation in force in the countries where the Company's subsidiaries operate as of the date of the statement of financial position. According to Turkish tax legislation, legal or business centers institutions in Turkey, the corporation is subject to tax. Current year tax liability is calculated on the portion of the period profit subject to taxation. Taxable profit differs from the profit included in the income statement because it excludes taxable or tax-deductible items in other years or taxable items that cannot be deducted from taxable income. The Company's current tax liability is calculated using tax rates that are legally enacted or substantively enacted by the balance sheet date.

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article of the institutions in 2018, for 2019 and belongs to the taxation period of 2020, corporate earnings will be applied 22% (2018: 20%) Corporate tax rate is applied to the corporate income of the corporation in the net corporate income to be deducted in accordance with the tax legislation and deduction of the exemptions and discounts in the tax laws. Day until the evening of the month and until the end of the month is paid one instalment

Corporations declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits until the 14th day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be deducted from the cash withdrawal. According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

In Turkey, the resident companies from corporation tax and not responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax. Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

50% of the profits arising from the sale of the immovable assets held in the assets for the same period as the 75% of the profits arising from the sale of founders' shares, founding shares and preferential rights, To be added to the capital as stipulated in the Corporate Tax Law or to be kept in a special fund account for 5 years.

2. Presentation of the financial statements (continued)

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

As of December 31, 2018, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized if it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 Company intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

2. Presentation of the financial statements (continued)

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the financial statements.

Employee benefits

Long term provisions recognized in the financial statements related to benefits provided to employees consist of retirement pay liability, seniority incentive premiums arising from current employment contracts and provisions for accumulated vacation liabilities.

In Turkey, severance pay according to the current laws and collective bargaining agreements are paid in case of retirement or dismissal. In accordance with TAS 19 Employee Benefits Standard, such payments are classified as defined retirement benefit plans. The Company calculated the provision for severance indemnity on the financial statements based on its experience gained in previous years by using the "Projection Method" and completing the personnel service period and retirement benefits of the Company and recording the discounted value at the balance sheet date.

The Company makes certain assumptions about discount rates, inflation rates, salary increases rate and employee turnover rates in calculation of provisions for employee benefits Actuarial loss / gain from changes in current account; are accounted for in the statement of comprehensive income / expense for the termination indemnity liability. If the termination benefit premium is related to the incentive premium, it is recognized in the profit or loss table.

The liabilities arising from unused vacation rights, which are defined as long-term provisions provided to the employees, are accrued and accounted for at the period when they are earned.

Capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

Share premiums

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Treasury shares

In case the Company obtains its own shares, the cost amounts including the parts exceeding the nominal values of these shares are deducted from equity and presented as "Treasury shares". Profits or losses from the Company's transactions related to shares that have been recovered in this manner are also recognized under equity.

2. Presentation of the financial statements (continued)

Statement of cash flow

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows from operating activities represent cash flows related to the Company's core business activities.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities.

2.5 Significant judgments, assumptions and estimates

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and TAS basis of assets and liabilities. The main factors which are considered include future earnings potential and tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Company's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.(Note 24).

Fair values of property, plant and equipment

Land and land under tangible fixed assets are accounted for as revaluation model as of December 31, 2017 which will be reflected at its fair value. The company, in order to determine the fair value of these assets is authorized by the Capital Markets Board of Turkey has worked with an independent valuation company. The fair value of the property, plant and equipment has been assessed considering the current situation of the real estate, the market conditions and the method of comparing the peers taking into consideration the most efficient usage (Note 11).

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

2. Presentation of the financial statements (continued)

Useful life of tangible and intangible assets

The Company management estimates and regularly audits the useful lives of the depreciable assets as explained in Note 2.4 on the date of first recognition of the assets. The entity determines the useful life of an asset, considering its estimated usefulness. This assessment is based on the Company's experience with similar assets. When determining the useful life of an asset, the Company will also consider changes in the market or the resulting technical and / or commercial unusable assets.

Provision for mine site rehabilitation

The Company calculates for stone and earth-based land degraded by mining activities within the scope of reintegration for mine site rehabilitation. Technical personnel have made certain important assumptions in determining calculation of provision. Explanations regarding such mine site rehabilitation are presented in Note 13. The provision is discounted to the present value of the and the related expense for the period, is included in financial expenses as the cost of rehabilitation

Provisions for benefits provided to employees

Severance pay and seniority incentive premium liabilities are determined by actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee retirement rates. Because these plans are long-term, the assumptions involve significant uncertainties. Details regarding the allowance for employee benefits are provided in Note 14.

3. Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	**4.117**	31.556
Cash at banks		
- Demand deposits	**703.701**	345.465
- Time deposits	**49.880.978**	11.453.326
Cash and cash equivalents	**50.588.796**	11.830.347

As of December 31, 2019, and 2018, details of the time deposits, whose maturity is less than 3 months are as follows:

Currency	**Interest rate (%)**	**Maturity date**	**Original currency**	**December 31, 2019**
TL	**8,5%**	**January 2020**	**1.000**	**1.000**
Euro	**0,08% - 0,24%**	**January - February 2020**	**7.500.072**	**49.879.978**
			7.501.072	**49.880.978**

Currency	Interest rate (%)	Maturity date	Original currency	December 31, 2018
Euro	4%	January 2019	2.536.447	11.453.326
				11.453.326

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

4. Financial investments

As of December 31, 2019, and 2018, details of the Company’s available-for-sale financial assets are as follows:

	Share (%)	**December 31, 2019**	Share (%)	December 31, 2018
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	**4,09**	**24.410.036**	4,09	17.772.866
		24.410.036		17.772.866

The Company owns 4,09% of Batıçim (December 31, 2018: 4,09%) shares and these shares are listed in Borsa Istanbul. Fair value of these shares is determined based on the announcement of Borsa Istanbul’s data as of the reporting date.

5. Investment accounted for using equity method

As of December 31, 2019, and 2018, detail of summary financial information of Batıçim Enerji is as follows:

	December 31, 2019	December 31, 2018
Current assets	**20.409.465**	22.345.926
Non-current assets	**164.338.992**	164.993.174
Current liabilities	**(54.153.943)**	(42.650.627)
Non-current liabilities	**(68.405.670)**	(77.382.338)
Total equity (net assets)	**62.188.844**	67.306.135
Company’s share	**30,02%**	30,02%
Net assets share of company’s interest	**18.669.588**	20.205.840
Goodwill	**13.268.143**	13.268.143
The carrying amount of equity accounted investments	**31.937.731**	33.473.983

Total equity (net assets)	**2019**	2018
Opening balance, January 1	**67.306.135**	88.299.867
Net profit (loss) for the period	**(5.078.674)**	(20.986.434)
Other comprehensive income (expense)	**(38.617)**	(7.298)
Closing balance, December 31	**62.188.844**	67.306.135

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

5. Investment accounted for using equity method (continued)

	January 1 - December 31, 2019	January 1 - December 31, 2018
Net sales	**114.671.578**	91.498.188
Operating profit/(loss)	**(10.344.290)**	(6.398.774)
Net profit (loss) for the period	**(5.078.674)**	(20.986.434)
Other comprehensive income/(loss)	**(38.617)**	(7.298)
Total comprehensive income/(loss)	**(5.117.291)**	(20.993.732)
Company’s share (*)	**30,02%**	30,02%
Proportion of net loss of the Company	**(1.536.252)**	(6.302.486)

As of December 31, 2019, and 2018, movement of accounted for using the equity method of financial investments is as follows:

	2019	2018
Opening balance, January 1	**33.473.983**	39.776.469
Net profit/(loss) for the period	**(1.524.659)**	(6.300.295)
Other comprehensive income/(loss)	**(11.593)**	(2.191)
Closing balance, December 31	**31.937.731**	33.473.983

6. Financial Liabilities

	December 31, 2019	December 31, 2018
Short term borrowings	**198.070.837**	65.118.073
Short term lease liabilities	**228.293**	-
Current portion of long-term loan	**86.014.568**	88.317.172
Long-term bank loans	**614.037.148**	502.336.656
	898.350.846	655.771.901

			December 31, 2019	
Currency	**Interest type**	**Nominal interest rate**	**Short-term**	**Long-term**
Euro	**Fixed**	**0,75% - 4,40%**	**251.845.484**	**483.061.649**
Euro	**Floating**	**Libor+ 3,15%**	**11.212.357**	**5.542.167**
TL	**Fixed**	**11,50% - 15,25%**	**21.027.564**	**125.433.332**
			284.085.405	**614.037.148**

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

6. Financial liabilities (continued)

			December 31, 2018	
Currency	Interest type	Nominal interest rate	Short-term	Long-term
US Dollar	Fixed	2,05%, 5%	6.752.938	-
US Dollar	Floating	Libor+4%	2.907.954	-
Euro	Fixed	0,65%, 2,5%, 4,20%, 4,40%, 9%	124.912.704	435.914.276
Euro	Floating	Libor+3,15%	10.240.065	15.070.000
TL	Fixed	15,25%	8.621.584	51.352.380
			153.435.245	502.336.656

The payment schedules of long-term bank borrowings as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
1 year and over	**212.774.650**	70.954.999
Between 2-3 years	**66.877.084**	65.931.665
Between 3-4 years	**66.877.084**	60.908.332
Between 4-5 years	**66.877.084**	60.908.332
5 years and longer	**200.631.246**	243.633.328
	614.037.148	502.336.656

As of December 31, 2019, and 2018, financial liabilities movement tables are as follows:

	2019	2018
Opening balance, January 1	**655.771.901**	516.177.161
New financial debts received	**367.979.424**	147.388.137
Principal paid	**(162.256.181)**	(159.422.928)
Interest paid	**(62.935.757)**	(32.465.755)
Foreign exchange losses and interest accruals	**99.791.459**	184.095.286
December 31	**898.350.846**	655.771.901

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

7. Trade receivables and payables

a) Short term trade receivables

As of reporting date, detail of trade receivables is as follows:

	December 31, 2019	December 31, 2018
Trade receivables, net	**15.016.317**	31.237.944
Cheques and notes receivables	**9.194.151**	10.030.434
Trade receivables from related parties (Note 26)	**9.200.823**	6.891.487
	33.411.291	48.159.865

The average maturity period for trade receivables is 78 days. (December 31, 2018: 69 days).

There are doubtful trade receivables of the Company at amount of TL 51.068 as of December 31, 2019 (December 31, 2018: TL 51.068). There are no overdue trade receivables of the Company as of December 31, 2019 (December 31, 2018: None).

	December 31, 2019	December 31, 2018
Guarantee letters received	**20.474.558**	37.137.283
	20.474.558	37.137.283

Company management considers that there is no significant difference between par value and fair value of the guarantees received.

b) Short term trade payables

As of reporting date, detail of trade payables is as follows:

	December 31, 2019	December 31, 2018
Trade payables	**60.280.999**	109.149.204
Trade payables to related parties (Note 26)	**3.404.060**	4.222.135
	63.685.059	113.371.339

The average credit period of trade payables is 69 days (December 31, 2018: 90 days).

Guarantee letters given against the Company's trade payables is as follows:

	December 31, 2019	December 31, 2018
Guarantee letters given	**5.115.023**	15.859.886
	5.115.023	15.859.886

Company management considers that there is no significant difference between par value and fair value of the guarantees given.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

8. Other receivables and payables

	December 31, 2019	December 31, 2018
a) Other short-term receivables		
Other receivables from related parties (Note 26)	**158.415**	644.666
Other receivables	**204.568**	177.214
	362.983	821.880

	December 31, 2019	December 31, 2018
b) Other long-term receivables		
Deposits and guarantees given	**305.241**	305.241
	305.241	305.241

	December 31, 2019	December 31, 2018
c) Other short-term payables		
Taxes and funds payable	**873.513**	966.885
Other	**35.700**	20.511
	909.213	987.396

9. Inventories

	December 31, 2019	December 31, 2018
Raw materials	**8.277.134**	11.157.034
Semi-finished goods	**44.090.306**	32.229.414
Finished goods	**147.063**	138.868
Auxiliary materials and spare parts	**61.116.968**	34.948.369
	113.631.471	78.473.685
Inventory impairment provision	**(13.257.608)**	-
	100.373.863	78.473.685

Auxiliary materials and spare parts are composed of unused firebricks and auxiliary materials and spare parts that may be used in manufacturing. When firebricks are used, they are classified as inventories and become depreciable for their useful lives.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

9. Inventories (continued)

Movement of allowance for impairment on inventory:

	2019	2018
January 1	**-**	-
Charge for the year	**(13.257.608)**	-
December 31	**(13.257.608)**	-

In cement sector; The shrinkage of the domestic market and the shifting of the sector to the foreign market caused the sales prices to decrease. Along with this situation, an increase in costs in the same period caused an inventory impairment.

10. Prepaid Expenses

a) Short term prepaid expenses

	December 31, 2019	December 31, 2018
Prepaid expense for the following months	**1.202.189**	1.695.756
Order advances given for inventory purchases	**299.866**	898.691
Other	**-**	476
	1.502.055	2.594.923

b) Long term prepaid expenses

	December 31, 2019	December 31, 2018
Advances given for fixed assets purchases	**493.175**	3.133.931
	493.175	3.133.931

c) Deferred income

	December 31, 2019	December 31, 2018
Advances received	**-**	10.521.800
	-	10.521.800

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

11. Property, plant and equipment

	January 1, 2019	**Additions**	**Transfers**	**Disposals**	**December 31, 2019**
Cost:					
Land	**88.486.885**	**10.036.381**	**-**	**(132.646)**	**98.390.620**
Land improvements	**39.320.288**	**45.000**	**1.933.909**	**-**	**41.299.197**
Buildings	**434.478.103**	**51.643**	**6.446.622**	**-**	**440.976.368**
Machinery and equipment	**589.846.551**	**66.987**	**2.428.278**	**-**	**592.341.816**
Vehicles	**502.913**	**21.186**	**-**	**-**	**524.099**
Furniture and fixture	**36.206.896**	**4.463.911**	**328.467**	**(4.742)**	**40.994.532**
Other tangible assets	**862.029**	**-**	**-**	**-**	**862.029**
Construction in progress (*)	**4.934.267**	**10.543.183**	**(11.137.276)**	**-**	**4.340.174**
	1.194.637.932	**25.228.291**	**-**	**(137.388)**	**1.219.728.835**
Accumulated depreciation:					
Land improvements	**(17.176.754)**	**(1.664.880)**	**-**	**-**	**(18.841.634)**
Buildings	**(26.328.856)**	**(10.673.006)**	**-**	**-**	**(37.001.862)**
Machinery and equipment	**(104.390.978)**	**(28.411.358)**	**-**	**-**	**(132.802.336)**
Vehicles	**(438.182)**	**(31.704)**	**-**	**-**	**(469.886)**
Furniture and fixture	**(14.531.544)**	**(10.164.198)**	**-**	**2.747**	**(24.692.995)**
Other tangible assets	**(862.029)**	**-**	**-**	**-**	**(862.029)**
	(163.728.343)	**(50.945.146)**	**-**	**2.747**	**(214.670.742)**
Net book value	**1.030.909.589**				**1.005.058.093**

	January 1, 2018	Additions	Transfers	Disposals	December 31, 2018
Cost:					
Land	88.486.885	-	-	-	88.486.885
Land improvements	29.303.637	3.543.185	6.473.466	-	39.320.288
Buildings	62.472.806	3.421.344	368.583.953	-	434.478.103
Machinery and equipment	182.818.444	8.989.853	398.038.254	-	589.846.551
Vehicles	494.851	34.492	-	(26.430)	502.913
Furniture and fixture	14.695.249	2.515.133	18.996.514	-	36.206.896
Other tangible assets	862.029	-	-	-	862.029
Construction in progress (*)	631.520.662	165.505.792	(792.092.187)	-	4.934.267
	1.010.654.563	184.009.799	-	(26.430)	1.194.637.932
Accumulated depreciation:					
Land improvements	(16.136.169)	(1.040.585)	-	-	(17.176.754)
Buildings	(24.403.136)	(1.925.720)	-	-	(26.328.856)
Machinery and equipment	(92.956.881)	(11.434.097)	-	-	(104.390.978)
Vehicles	(441.845)	(22.767)	-	26.430	(438.182)
Furniture and fixture	(11.440.560)	(3.090.984)	-	-	(14.531.544)
Other tangible assets	(821.041)	(40.988)	-	-	(862.029)
	(146.199.632)	(17.555.141)	-	26.430	(163.728.343)
Net book value	864.454.931				1.030.909.589

(*) The test production of new integrated clinker and cement line investment has been completed and started operating as the beginning of December 2018.

There are no pledges and mortgages on tangible assets as of December 31, 2019 and 2018.

Amounting to TL 50.501.356 (2018: TL 17.375.914) of depreciation expense was allocated to cost of sales, TL 55.286 (2018: TL 50.737)) of depreciation expense was allocated to marketing expenses, TL 388.505 (2018: TL 128.490) of depreciation expense was allocated to administrative expenses.

As of December 31, there is no net financing cost activated on investments (December 31, 2018: TL 144.785.104).

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

12. Intangible assets

	January 1, 2019	**Additions**	**Disposals**	**December 31, 2019**
Cost:				
Rights	**1.703.171**	**2.349**	**-**	**1.705.520**
Assets subject to amortization	**595.266**	**-**	**-**	**595.266**
	2.298.437	**2.349**	**-**	**2.300.786**
Accumulated amortization:				
Rights	**(1.249.552)**	**(41.069)**	**-**	**(1.290.621)**
Assets subject to amortization	**(595.266)**			**(595.266)**
	(1.844.818)	**(41.069)**	**-**	**(1.885.887)**
Net book value	**453.619**			**414.899**

	January 1, 2018	Additions	Disposals	December 31, 2018
Cost:				
Rights	1.703.171	-	-	1.703.171
Assets subject to amortization	595.266	-	-	595.266
	2.298.437			2.298.437
Accumulated amortization:				
Rights	(1.204.305)	(45.247)	-	(1.249.552)
Assets subject to amortization	(595.266)	-	-	(595.266)
	(1.799.571)	(45.247)		(1.844.818)
Net book value	498.866			453.619

There is no mortgage on intangible assets as of December 31, 2019 (December 31, 2018 – None).

Amortization expense of TL 40.685 (2018: TL 45.247) of amortization expense is charged to cost of sales.

13. Provisions, contingent assets and liabilities

a) Long-term provisions

As of December 31, 2019, and 2018, the movement of the provision for mine site rehabilitation is as follows:

	2019	2018
Opening balance, January 1	**3.452.546**	2.902.148
Current year expense	**567.661**	550.398
31 December	**4.020.207**	3.452.546

Provision recognized in order to rehabilitate land that has been damaged by the Company's quarry mining activities. Provision related to mine site rehabilitation expense has been charged to cost of sales.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

13. Provisions, contingent assets and liabilities (continued)

b) Guarantees pledges and mortgages(“GPM”)

As of December 31, 2019, and 2018, the detail of guarantee, pledge and mortgage position chart of the Company is as follows

	December 31, 2019	December 31, 2018
A. Total amount of GPMs given for the Company’s own legal personality	**168.219.326**	78.253.226
B. Total amount of GPMs given on behalf of fully consolidated companies	**-**	-
C. Total amount of GPMs given for continuation of its economic activities on behalf of third parties	**-**	-
D. Total amount of other GPMs given	**36.025.000**	36.025.000
i. Total amount of GPMs given on behalf of the majority shareholder	**-**	-
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C (*)	**36.025.000**	36.025.000
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C.	**-**	-
Total given GPMs	**204.244.326**	114.278.226

(*) According to the Share Pledge Agreement signed on 1 December 2014, the Company used bank loan amounting to US Dollar 15.450.000 due to financing continued investment project operations and the Company put in pledge to 30,02% of capital of Batıçim Enerji Elektrik Üretim A.Ş. (36.025 number of shares) with TL 1.000 nominal value in favour of Akbank T.A.Ş. Accordingly, there is a pledge right for almost 30,02% shares of the Company established in favour of Akbank T.A.Ş.

The ratio of other guarantees-pledges-mortgages to shareholder’s equity is 12%. (December 31, 2018 7%).

14. Employee benefits

a) Employee benefit obligations

	December 31, 2019	December 31, 2018
Social security Premium payables	**957.942**	825.065
Payables to personnel	**1.481.601**	781.341
	2.439.543	1.606.406

b) Long-term provisions for employee benefits

	December 31, 2019	December 31, 2018
Provision for employment termination benefits	**10.798.015**	8.665.079
Performance and seniority encouragement Premium provisions	**2.040.160**	1.697.347
Provision for unused vacation	**1.342.443**	1.229.000
	14.180.618	11.591.426

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

14. Employee benefits (continued)

Provision for employment termination benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TL 6.379,86 (December 31, 2018: TL 5.434,42)

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated with the assumption of 4,55% real discount rate calculated by using 11,87% annual inflation rate and 7% discount rate (December 31, 2018: %4,55). The drop-out rate for voluntary work for 0-15-year employees is 1.03%. For the employees who work 15 years and over, the rate is taken as 0%.

Movements in the provision for employee termination benefits are as follows:

	2019	2018
January 1	**8.665.079**	7.452.658
Interest cost	**952.517**	1.117.899
Actuarial (gain) / loss	**1.597.308**	110.778
Service cost	**740.697**	619.958
Paid in the current year	**(1.157.586)**	(636.214)
December 31	**10.798.015**	8.665.079

The sensitivity analyzes of the significant assumptions used in calculation of retirement pay liability as of December 31, 2019 are as follows:

	Net discount rate		**Turnover rate to estimate the probability of retirement**	
Sensitivity Level	**0,5% decrease**	**0,5% increase**	**0,5% point decrease**	**0,5% point İncrease**
Rate (%)	4,05%	5,05%	96,91%	97,91%
Change in the retirement pay liability (TL)	508.518	(469.337)	(77.743)	81.694

Performance and seniority encouragement premium provision

Provision for performance and employment termination benefit is provided to employees in accordance with the Company policy and the present value of the obligation is measured at the reporting date using a net discount rate.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

14. Employee benefits (continued)

The movement of performance and seniority encouragement premium provision:

	2019	2018
Opening balance, January 1	**1.697.347**	1.925.265
Paid performance and seniority encouragement Premium	**(186.021)**	(341.930)
Provision in current year	**528.834**	114.012
Closing balance, December 31	**2.040.160**	1.697.347

Performance and seniority encouragement premium provision expense of TL 4.966 (2018: TL 1.869) and TL 52.003 (2018: TL 15.439) has been allocated to sales and marketing expenses and general administrative expenses, respectively.

Unused vacation provision expense

Unused vacation provision expense of TL 101.222 (2018: TL 334.396), TL 1.065 (2018: TL 6.462) and TL 11.155 (2018: TL 53.388) has been allocated to cost of sales, sales and marketing expenses and general administrative expenses, respectively.

15. Other assets and liabilities

i) Other assets

	December 31, 2019	December 31, 2018
a) Other current assets:		
Deferred VAT (*)	**45.256.470**	21.087.283
	45.256.470	21.087.283

ii) Other liabilities

	December 31, 2019	December 31, 2018
a) Other short-term liabilities:		
Mine tax accruals	**1.856.201**	1.631.048
Other	**-**	12.834
	1.856.201	1.643.882

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

16. Share capital, reserves and other equity items

a) Paid in capital

As of December 31, 2019, and 2018, the Company's paid in capital structure is as follows:

	December 31, 2019		December 31, 2018	
Shareholders	**Share (%)**	**Amount (TL)**	Share (%)	Amount (TL)
Batıçim Batı Anadolu Çimento Sanayii A.Ş.	**74,62**	**298.494.053**	74,62	298.494.053
Other	**25,38**	**101.505.947**	25,38	101.505.947
Nominal capital		**400.000.000**		400.000.000
Inflation adjustment difference		**59.824.631**		59.824.631
Adjusted capital		**459.824.631**		459.824.631

The Company is subject to registered capital system. Authorized capital is TL 800.000.000 and the total number of ordinary shares authorized is 80.000.000.000 shares with per value of TL 0.01 per share.

The total contractual amount of the paid-up capital of TL 260.000.000 of the Company has been increased by TL 140.000.000 to TL 400.000.000 and the main contract showing that the issued capital amounted to TL 400.000.000 was transferred to İzmir Trade Registry Directorate on 08 October 2018 registered.

The Company has registered shares amounting to TL 14.956,13. Nominal value of one share is TL 0,01. The total number of ordinary shares is 40.000.000.000 shares with a par value of shares with a par value of TL 0,01 per share with total nominal value of TL 400.000.000.

The Company’s capital consists of A and B Company shares.

Company A shareholders have the following rights in accordance with the Company’s articles of association:

All members of the board of directors have to be appointed from among the candidates chosen by the majority of the holders of Company A shares.

The composition of the A Company shareholders (preferred stock) is as follows:

	December 31, 2019		December 31, 2018	
Shareholders	**Share (%)**	**Amount (TL)**	Share (%)	Amount (TL)
Batıçim	**99,33**	**74.281**	99,33	74.281
Other	**0,67**	**500**	0,67	500
	100,00	**74.781**	100,00	74.781

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Share capital, reserves and other equity items (continued)

The composition of the B Company shareholders (ordinary shareholders) is as follows:

	December 31, 2019		December 31, 2018	
Shareholders	**Share (%)**	**Amount (TL)**	Share (%)	Amount (TL)
Batıçim	**74,62**	**298.419.772**	74,62	298.419.772
Other	**25,38**	**101.505.447**	25,38	101.505.447
	100,00	**399.925.219**	100,00	399.925.219

"Paid-in capital", "Restricted reserves" and "Share premiums" in accordance with the Communiqué Serial: II-14.1 "Communiqué on Principles of Financial Reporting in Capital Market" published in the Official Gazette No: 28676 dated June 13, "Must be shown in the amounts in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of "Paid-in capital" and has not yet been transferred to capital, it should be classified under the "Inflation adjustment capital";
- If the difference is arising from valuation of "Restricted reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained earnings"

Capital adjustment differences can only be added to the capital.

Listed companies process their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.
Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Share capital, reserves and other equity items (continued)

Legal reserves and share premiums that are subject to statutory reserve in accordance with Article 466 of the Turkish Commercial Code are stated in the legal books. In this context, the differences arising from the inflation adjustments that are not included in dividend distribution or capital increase arising in the IFRS basis are attributed to previous years' profit / loss.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, if it is decided to distribute bonus shares through the addition of profit to the capital, II. legal reserves are not reserved.

b) Share premiums

Represents the difference between the nominal amount and the sales amount of newly issued shares due to capital increase. As of December 31, 2019, it was TL 511.025 (December 31, 2018: TL 511.025).

c) Other comprehensive income and expenses not to be classified to profit or loss

Movement related to value increase / (decrease) transferred directly to equity without being associated with profit or loss are as follows:

Revaluation surplus (deficit)

	2019
Opening balance, January 1	**57.547.395**
Current year revaluation effect	-
Deferred tax effect	-
Closing balance, December 31	**57.547.395**

Actuarial gain / (loss) fund related to defined benefit plans:

	2019	2018
Opening balance, January 1	**(351.912)**	(263.290)
Current year remeasurement effect	**(1.597.308)**	(110.778)
Deferred tax effect	**319.462**	22.156
Closing balance, December 31	**(1.629.758)**	(351.912)

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

16. Share capital, reserves and other equity items (continued)

d) Other comprehensive income and expenses to be reclassified to profit or loss

Movement schedules for gains (losses) from financial assets at fair value through profit or loss in the following periods that are recognized in shareholders' equity are as follows:

	2019	2018
Opening balance, January 1	**(2.459.852)**	11.419.619
Current year fair value measurement gain (loss) effect	**6.637.170**	(14.609.969)
Deferred tax effect	**(331.858)**	730.498
Closing balance, December 31	**3.845.460**	(2.459.852)

e) Prior years' profits / (losses):

The net distributable profit for the period included in the statutory records as of the reporting date of the Company and other sources subject to profit distribution are given below.

	December 31, 2019	December 31, 2018
Net profit (loss) for the period	**(197.755.439)**	(30.320.190)
Extraordinary reserve	**119.228.190**	119.228.190
Special funds	**849.432**	849.432
Retained earnings	**(44.979.504)**	(14.659.314)
	(122.657.321)	75.098.118

17. Revenue and cost of sales

Net sales

	January 1 – December 31, 2019	January 1 – December 31, 2018
Domestic sales	**100.608.997**	280.000.549
Export sales	**137.619.416**	6.524.222
Other revenue	**-**	33.899
Sales returns	**(140.051)**	(21.035)
Sales discounts	**(824.179)**	(959.023)
Other discounts	**(256.699)**	(24.999)
	237.007.484	285.553.613

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

17. Revenue and cost of sales (continued)

Cost of sales

	January 1 – December 31, 2019	January 1 – December 31, 2018
Raw materials used	**(124.614.990)**	(144.458.357)
Production overhead	**(73.781.960)**	(46.837.910)
Depreciation expenses	**(50.501.356)**	(17.375.914)
Personnel expenses	**(29.917.013)**	(24.121.790)
Provision of employee termination benefits	**(1.130.579)**	(1.474.035)
Provision for mine rehabilitation	**(567.661)**	(550.398)
Depreciation and amortization expenses	**(40.685)**	(45.247)
Provision for performance and seniority encouragement premium	**-**	(96.704)
Unused vacation accrual	**(101.222)**	(334.396)
Change in work-in progress and finished goods (Note 9)	**11.869.087**	27.967.691
	(268.786.379)	(207.327.060)

18. General administrative expenses, marketing, sales and distribution expenses

	January 1 – December 31, 2019	January 1 – December 31, 2018
a) General administrative expenses:		
Personnel expenses	**(5.978.256)**	(7.537.112)
Real estate tax expenses and stamp duties	**(4.402.952)**	(2.592.118)
Consultancy expenses	**(2.800.700)**	(2.089.679)
Security expenses	**(1.398.686)**	(1.919.062)
Services expenses	**(536.606)**	(423.810)
Depreciation expenses	**(388.505)**	(128.490)
Fuel expenses	**(235.941)**	(188.724)
Provision for employee termination benefits	**(200.648)**	(235.338)
Vehicle rent expenses	**(72.529)**	(93.660)
Provision for performance and seniority encouragement premium (Note 14)	**(52.003)**	(15.439)
Unused vacation accrual	**(11.155)**	(53.388)
Donation and charity expenses	**(5.081)**	(5.476)
Other expenses	**(1.149.391)**	(1.383.668)
	(17.232.453)	(16.665.964)

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

18. General administrative expenses, marketing, sales and distribution expenses (continued)

	January 1 - December 31, 2019	January 1 - December 31, 2018
b) Marketing, sales and distribution expenses:		
Transportation and loading expenses	**(43.645.693)**	(21.614.712)
Personnel expenses	**(713.583)**	(588.856)
Advertisement expenses	**(262.948)**	(850.884)
Depreciation expenses (Note 11)	**(55.286)**	(50.737)
Provision for employee termination benefits (Not 14)	**(19.162)**	(28.484)
Provision for performance and seniority encouragement premium (Not 14)	**(4.966)**	(1.869)
Unused vacation accrual (Not 14)	**(1.065)**	(6.462)
Other	**(172.174)**	(25.951)
	(44.874.877)	(23.167.955)

19. Expenses by nature

	January 1 - December 31, 2019	January 1 - December 31, 2018
Raw materials used	**(124.614.990)**	(144.458.357)
Production overhead	**(73.781.960)**	(46.837.910)
Depreciation expenses	**(50.945.147)**	(17.555.141)
Transportation and loading expenses	**(43.645.693)**	(21.614.712)
Personnel expenses	**(36.608.852)**	(32.247.758)
Real estate tax expenses and stamp duties	**(4.402.952)**	(2.592.118)
Consultancy expenses	**(2.800.700)**	(2.089.679)
Provision for employee termination benefits	**(1.350.389)**	(1.737.857)
Security expenses	**(1.398.686)**	(1.919.062)
Service expenses	**(536.606)**	(423.810)
Mine rehabilitation provision expenses	**(567.661)**	(550.398)
Advertisement expenses	**(262.948)**	(850.884)
Fuel expenses	**(235.941)**	(188.724)
Vehicle rent expenses	**(72.529)**	(93.660)
Provision for performance and seniority encouragement Premium	**(56.969)**	(114.012)
Amortization expenses	**(40.685)**	(45.247)
Unused vacation accrual	**(113.442)**	(394.246)
Donation and charity expenses	**(5.081)**	(5.476)
Change in work-in progress and finished goods inventories	**11.869.087**	27.967.691
Other expenses	**(1.321.565)**	(1.409.619)
	(330.893.709)	(247.160.979)

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

20. Other income / expenses from operating activities

a) Other income from operating activities

	January 1 – December 31, 2019	January 1 – December 31, 2018
Foreign exchange gains from operations	**12.983.549**	10.719.727
Discount interest income	**4.191.036**	9.482.674
Other	**3.149.171**	2.637.147
	20.323.756	22.839.548

a) Other expenses from operating activities

	January 1 – December 31, 2019	January 1 – December 31, 2018
Foreign exchange losses from operations	**(18.239.856)**	(14.637.920)
Discount interest expenses	**(5.031.219)**	(5.718.587)
Other	**(141.974)**	(225.650)
	(23.413.049)	(20.582.157)

21. Income / losses from investing activities

	January 1 - December 31, 2019	January 1 - December 31, 2018
Income from investing activities:		
Interest income	**893.542**	597.619
Gain from disposal fixed assets	**50.105**	14.059
	943.647	611.678

22. Financial Income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange gains	**730.343**	19.950.593
Gain on derivative instruments	**-**	186.429
	730.343	20.137.022

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

23. Financial Expenses

	January 1 – December 31, 2019	January 1 – December 31, 2018
Foreign exchange loss	**(68.565.172)**	(153.393.081)
Interest expense on bank loans	**(39.077.998)**	(9.918.232)
Loss on derivative instrument	**(1.416.781)**	-
Other	**(628.251)**	(1.352.188)
	(109.688.202)	(164.663.501)

24. Income taxes (including deferred tax assets and liabilities)

Corporation tax

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article of the institutions in 2018, for 2019 and belongs to the taxation period of 2020, corporate earnings will be applied 22%

	December 31, 2019	December 31, 2018
Current period corporation tax	**-**	-
Less: Prepaid taxes and funds	**(107.830)**	(46.664)
Current tax assets	**(107.830)**	(46.664)

Taxation income (expense) reported in the statement of profit or loss	**January 1 – December 31, 2019**	January 1 – December 31, 2018
Current tax expense	**-**	-
Deferred tax income	**7.825.936**	33.001.551
	7.825.936	33.001.551

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

24. Income taxes (including deferred tax assets and liabilities) (continued)

Deferred tax

	Taxable temporary differences		Deferred tax assets / (liabilities	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Revaluation of tangible assets	**(63.941.550)**	(63.941.550)	**(6.394.155)**	(6.394.155)
Inventories	**-**	(935.846)	**-**	(187.169)
Discount on receivables and payables	**-**	(177.685)	**-**	(39.091)
Fair value measurement effects of derivative financial instruments	**-**	(186.429)	**-**	(41.014)
Deferred tax liabilities	**(63.941.550)**	(65.241.510)	**(6.394.155)**	(6.661.429)
Tangible and intangible assets	**66.212.191**	75.357.859	**13.242.438**	15.071.572
Cash equity incentive	**98.245.563**	66.204.313	**19.649.113**	13.240.863
Taxable loss	**42.292.383**	42.292.382	**8.458.477**	8.458.477
Fair value measurement effects of financial investments	**7.967.303**	14.604.474	**398.639**	730.497
Provisions for employee benefits	**14.180.618**	11.591.426	**2.836.124**	2.318.285
Provision for mine site rehabilitation	**4.020.207**	3.452.546	**804.041**	690.509
Impairment of inventories	**13.257.608**	-	**2.651.522**	-
Leasing liabilities	**30.174**	-	**6.035**	-
Discount on receivables and payables	**45.818**	-	**10.080**	-
Deferred tax assets	**246.251.865**	213.503.000	**48.056.469**	40.510.203
Deferred tax assets / (liabilities), net			**41.662.314**	33.848.774

As of December 31, 2019, the tax rate used in the calculation of deferred tax of financial assets was revised to 5% (December 31, 2018: 5%). As of the balance sheet date, the total amount of the financial losses that the Company can make discounts in the future periods is TL 42.292.383. As of the balance sheet date, the Company has calculated deferred tax assets over its deductible tax loss amounting to TL 8.458.477.

The maturity distribution of the deductible tax losses calculated as deferred tax assets is as follows:

	December 31, 2019	December 31, 2018
2022	**11.606.170**	11.606.170
2023	**30.686.213**	30.686.213
	42.292.383	42.292.383

The maturity breakdown of deductible financial losses for which deferred tax assets are not calculated is as follows:

	December 31, 2019	December 31, 2018
2024	**195.490.950**	-
	195.490.950	-

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

24. Income taxes (including deferred tax assets and liabilities) (continued)

Within the scope of the "Law Amending the Laws of Some Laws and Amendments to Laws" numbered 6637 published in the Commercial Gazette dated April 7, 2015, the capital increases of the capital companies as of July 1, 2015 and the cash contributions of the capital invested in newly established capital companies 50% of the amount calculated up to the end of the relevant accounting period will be deductible from the corporate tax base considering the weighted average annual interest rate applied to commercial loans. With the resolution numbered 2015/7910 published in the Commercial Gazette dated December 31, 2017, 50%

a) For publicly traded capital companies whose shares are traded in the stock exchange, the nominal amount of the shares that are listed as shares in the stock exchange in the Central Registry Agency as of the last day of the year in which the deduction is utilized is 50% or less of the registered or registered capital registered in the trade register 25 points, 50 points for those who are above 50%

b) If the capital raised in cash is to be used in investments of production and industrial facilities with investment incentive certificates and machinery and equipment investments belonging to these facilities and / or land and land investments allocated to the construction of these facilities, 25 points shall be added to the fixed investment amount stated in the investment incentive certificate the discount will be applied.

The movement of the deferred tax assets/ (liabilities), net for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Opening balance	**33.848.774**	94.570
Recognized in statement of profit or loss	**7.825.936**	33.001.551
Charged to other comprehensive (loss) / income	**(12.396)**	752.653
December 31, net balances	**41.662.314**	33.848.774

Reconciliation between tax deductions on which the statutory tax rate before tax is applied and the tax deduction on the total income statement including deferred tax deductions:

	January 1- December 31, 2019	January 1- December 31, 2018
Pre-tax income from continuing operations	**(206.525.982)**	(109.567.262)
The current effective statutory tax rate	**22%**	%22
Calculated tax income (expense)	**45.435.716**	24.104.798
Cash equity incentive	**6.408.250**	12.092.119
The effect of non-deductible expenses	**(500.119)**	(169.958)
The effect of deduction / exception of income	**-**	250.483
Share of profit/loss of investments accounted under equity method	**(337.975)**	(1.386.546)
Impact of uncalculated financial losses postponed over	**(43.508.128)**	-
Effect of changes of corporate tax ratio	**156.028**	(2.402.399)
Effect of other adjustments	**172.164**	513.054
Taxation income (expense) reported in the statement of profit or loss	**7.825.936**	33.001.551

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

25. Earnings / losses per share

	January 1 – December 31, 2019	January 1 – December 31, 2018
Weighted number of ordinary shares with a TL 0,01 par value (*)	**40.000.000.000**	30.487.671.233
(Loss) / profit for the period (TL)	**(198.700.046)**	(76.565.711)
(Loss) / earnings per share (for the Group A and B shares with a par value of TL 1)	**(0,4968)**	(0,2511)

(*) As explained in Note 16, the weighted average nominal capital number belongs to current period due cash paid capital increase is calculated by taking into consideration 12 October 2018, which is the registration date of ordinary ordinary shares derived from capital increase.

26. Related party disclosure

As of December 31, 2019, detail of trade receivables from related parties are as follows:

		Receivables		**Payables**
		Short-term		**Short-term**
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1)	**5.615.731**	**11.399**	**2.391.286**	**60.241.406**
Batıbeton Sanayi A.Ş.(2)	**3.585.092**	**63.282**	**55.021**	**-**
Batıçim Enerji Toptan Satış A.Ş. (2)	**-**	**83.734**	**251.253**	**-**
Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)	**-**	**-**	**680.301**	**-**
Batıliman Liman İşletmeleri A.Ş. (2)	**-**	**-**	**26.199**	**-**
	9.200.823	**158.415**	**3.404.060**	**60.241.406**

As of December 31, 2018 detail of trade receivables from related parties are as follows:

		Receivables		Payables
		Short-term		Short-term
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1)	6.405.527	26.355	2.576.380	80.000
Batıbeton Sanayi A.Ş. (2)	485.960	10.774	940.237	-
Batıçim Enerji Toptan Satış A.Ş. (2)	-	607.537	-	-
Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)	-	-	705.518	-
	6.891.487	644.666	4.222.135	80.000

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

26. Related party disclosure (continued)

			January 1 – December 31, 2019
Transactions with related parties	**Inventory or service purchases**	**Sales of goods**	**Other**
Batıbeton Sanayi A.Ş.(2)	**71.581**	**9.363.803**	**(55.006)**
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (1)	**541.893**	**43.686.635**	**(3.614.862)**
Batıçim Enerji Toptan Satış A.Ş. (2)	**3.426.958**	**-**	**48.192**
Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)	**1.605.266**	**-**	**-**
Batıçim Enerji Elektrik Üretim A.Ş. (2)	**3.367.639**	**-**	**-**
Batıliman Liman İşletmeleri A.Ş. (*) (2)	**-**	**-**	**(11.204.756)**
	9.013.337	**53.050.438**	**(14.826.432)**

(*) Marketing expenses related to other debts in the current period is TL 11.204.299 (2018: None).

(1) Ultimate shareholder
(2) The other companies controlled by ultimate shareholder

			January 1 – December 31, 2018
Transactions with related parties	Inventory or service purchases	Sales of goods	Other
Batıbeton Sanayi A.Ş.(*) (2)	4.309.375	19.983.690	32.501
Batıçim Batı Anadolu Çimento Sanayii A.Ş. (**) (1)	538.056	101.702.364	(8.645.582)
Batıçim Enerji Toptan Satış A.Ş. (2)	4.222.172	-	(123)
Ash Plus Yapı Mal. San. ve Tic. A.Ş. (2)	2.351.954	-	52.409
	11.421.557	121.686.054	(8.560.795)

(*) The Company's third clinker line purchased ready-mixed concrete from Batıbeton Sanayi A.Ş. for investment purposes amounting to TL 4.283.107 (2018: TL 21.452.592).
(**) Interest expenses related to other liabilities in the current period is TL 6.951.835 (2018: TL 2.452.003).

(1) Ultimate shareholder
(2) The other companies controlled by ultimate shareholder

Compensation of key management personnel:
Benefits to key management personnel are wages, premiums, health insurance, transportation and etc. Benefits to the key management personnel during the period is as follows:

	December 31, 2019	December 31, 2018
Wages, premiums, social relief benefits	**1.862.576**	1.971.088
Seniority incentives, performance premium and other relief and payments	**128.549**	100.540
	1.991.125	2.071.628

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

27. Derivative financial instruments

The Company utilizes currency derivatives to hedge significant future transactions and cash flows. The Company is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of The Company’s principal markets.

	December 31, 2019			December 31, 2018		
	Nominal contract Amount (TL)	**Fair value (TL)**		Nominal contract amount (TL)	Fair value(TL)	
		Asset	**(Liability)**		Asset	(Liability)
Forward foreign exchange contracts	**-**	**-**	**-**	18.084.000	186.429	-
	-	**-**	**-**	18.084.000	186.429	-

These arrangements are designed to address significant exchange exposures for December 31, 2018 and are renewed on a revolving basis as required. As of December 31, 2019, there is no exchange derivatives amounting (December 31, 2018: 18.084.000). As of December 31, 2019, there is no fair value of exchange derivatives (December 31, 2018: 186.429). These amounts are based on quoted market prices for equivalent instruments at the reporting date.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments

a) Credit risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past experience.

Details of credit risk of the Company as of December 31, 2019 and 2018 are as follows:

December 31, 2019

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Financial Investments	Deposits in bank	Total
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)	**9.200.823**	**24.210.468**	**158.415**	**204.568**	**24.410.036**	**50.584.679**	**108.768.989**
- Maximum risk secured by guarantee (**)	**-**	**20.474.558**	**-**	**-**	**-**	**-**	**20.474.558**
A. Net book value of financial assets neither overdue nor impaired	**9.200.823**	**24.210.468**	**158.415**	**204.568**	**24.410.036**	**50.584.679**	**108.768.989**
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue i	-	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
E. Off-balance sheet items having credit risk	-	-	-	-	-	-	-

(*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(**) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

December 31, 2018

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Third parties	Related Parties	Third Parties	Financial İnvestments	Deposits in bank	Total
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (*)	6.891.487	41.268.378	644.666	177.214	17.772.866	11.798.791	78.553.402
- Maximum risk secured by guarantee (**)	-	37.137.283	-	-	-	-	37.137.283
A. Net book value of financial assets neither overdue nor impaired	6.891.487	41.268.378	644.666	177.214	17.772.866	11.798.791	78.553.402
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
E. Off-balance sheet items having credit risk	-	-	-	-	-	-	-

(*) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
(**) Guarantees consists of guarantee notes, guarantee cheques and mortgages obtained from the customers.

28. Nature and level of risks arising from financial instruments (continued)

b) Liquidity risk:

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019

Contractual terms	**Book value**	**Total contractual cash outflows (I+II+III)**	**Up to 3 months (I)**	**3 - 12 months (II)**	**1 – 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	**890.050.305**	**898.122.553**	**21.614.450**	**262.470.955**	**413.405.902**	**200.631.246**
Trade payables	**62.960.680**	**63.685.059**	**63.685.059**	**-**	**-**	**-**
Trade payables to related parties	**60.241.406**	**60.241.406**	**60.241.406**	**-**	**-**	**-**
	1.013.252.391	**1.022.049.018**	**145.540.915**	**262.470.955**	**413.405.902**	**200.631.246**

December 31, 2018

Contractual terms	Book value	Total contractual cash outflows (I+II+III)	Up to 3 months (I)	3 - 12 months (II)	1 – 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	655.771.901	801.769.835	18.764.200	165.475.091	343.525.946	274.004.598
Trade payables	113.371.339	114.367.063	114.367.063	-	-	-
Trade payables to related parties	80.000	80.000	80.000	-	-	-
	769.223.240	916.216.898	133.211.263	165.475.091	343.525.946	274.004.598

c) Market risk:

Foreign currency risk management

The Company carries foreign exchange risk due to its assets and liabilities denominated in USD and Euro. The following table details the Company's sensitivity to every 20% increase and decrease in the US Dollars, Euro. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

	December 31, 2019			December 31, 2018		
	TL Equivalent	**US Dollars**	**Euro**	TL Equivalent	US Dollar	Euro
1. Trade receivables	**-**	**-**	**-**	-	-	-
2a. Monetary financial assets (including cash and bank accounts)	**49.886.521**	**36**	**7.501.023**	11.453.331	-	1.900.022
2b. Non-monetary financial assets	**-**	**-**	**-**	-	-	-
3. Other	**420.850**	**1.246**	**62.168**	2.589.996	4.900	425.384
4. Current assets (1+2+3)	**50.307.371**	**1.282**	**7.563.191**	14.043.327	4.900	2.325.406
5. Trade receivables	**-**	**-**	**-**	-	-	-
6a. Monetary financial assets	**-**	**-**	**-**	-	-	-
6b. Non-monetary financial assets	**-**	**-**	**-**	-	-	-
7. Other	**-**	**-**	**-**	2	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	2	-	-
9. Total assets (4+8)	**50.307.371**	**1.282**	**7.563.191**	14.043.329	4.900	2.325.406
10. Trade payables	**32.359.112**	**3.233.053**	**1.977.886**	46.703.723	5.161.336	3.243.273
11. Financial liabilities	**263.057.841**	**-**	**39.554.001**	144.813.661	1.836.357	22.420.831
12a. Monetary other liabilities	**-**	**-**	**-**	-	-	-
12b. Non-monetary other liabilities	**-**	**-**	**-**	-	-	-
13. Short-term liabilities (10+11+12a+12b)	**295.416.953**	**3.233.053**	**41.531.887**	191.517.384	6.997.693	25.664.104
14. Trade payables	**-**	**-**	**-**	-	-	-
15. Financial liabilities	**488.603.816**	**-**	**73.467.629**	450.984.276	-	74.814.910
16a. Monetary other liabilities	**-**	**-**	**-**	-	-	-
16b. Non-monetary other liabilities	**-**	**-**	**-**	-	-	-
17. Long-term liabilities (14+15+16a+16b)	**488.603.816**	**-**	**73.467.629**	450.984.276	-	74.814.910
18. Total liabilities (13+17)	**784.020.769**	**3.233.053**	**114.999.516**	642.501.660	6.997.693	100.479.014
19. Net asset//(liability) position of off balance Sheet derivative instruments (19a-19b)	**-**	**-**	**-**	18.084.000	-	3.000.000
19a. Off-balance sheet foreign currency derivative assets	**-**	**-**	**-**	18.084.000	-	3.000.000
19b. Off-balance sheet foreign currency derivative assets	**-**	**-**	**-**	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	**(733.713.398)**	**(3.231.771)**	**(107.436.325)**	(610.374.331)	(6.992.793)	(95.153.608)
21. Net foreign currency asset/(liability) position of monetary items (TFRS7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(734.134.248)**	**(3.233.017)**	**(107.498.493)**	(631.048.329)	(6.997.693)	(98.578.992)
22. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	186.429	-	-
23. Hedged amount for current assets	**-**	**-**	**-**	18.084.000	-	3.000.000
24. Hedged amount for current liabilities	**-**	**-**	**-**	-	-	-

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

Table of foreign currency sensitivity analysis

		December 31, 2019
		Pre-tax profit (loss) effect
	Foreign currency appreciation	**Foreign currency depreciation**
Increase of US Dollars by 20% against TL		
1 - US Dollars net assets/liabilities	**(3.840.953)**	**3.840.953**
2- Amount hedged from US Dollars risk (-)	**-**	**-**
3- US Dollars net effect (1 +2)	**(3.840.953)**	**3.840.953**
Increase of Euro by 20% against TL		
4 - Euro net assets/liabilities	**(142.985.896)**	**142.985.896**
5 - Amount hedged from Euro risk (-)	**-**	**-**
6- Euro net effect (4+5)	**(142.985.896)**	**142.985.896**
Total (3 + 6)	**(146.826.849)**	**146.826.849**

		December 31, 2018
		Pre-tax profit (loss) effect
	Foreign currency appreciation	Foreign currency depreciation
Increase of US Dollars by 20% against TL		
1 - US Dollars net assets/liabilities	(7.362.833)	7.362.833
2- Amount hedged from US Dollars risk (-)	-	-
3- US Dollars net effect (1 +2)	(7.362.833)	7.362.833
Increase of Euro by 20% against TL		
4 - Euro net assets/liabilities	(118.846.833)	118.846.833
5 - Amount hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(118.846.833)	118.846.833
Total (3 + 6)	(126.209.666)	126.209.666

(Currency – In Turkish Lira (“TL”), unless otherwise indicated)

28. Nature and level of risks arising from financial instruments (continued)

Interest rate risk

Company is exposed to interest rate risk as entities in the Company borrow funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

As of December 31, 2019, and 2018 table of sensitivity analysis for foreign currency risk is as follows:

	2019	2018
Fixed rate instruments		
Financial assets	**49.880.978**	11.453.326
Financial liabilities	**881.368.029**	627.553.882
Floating rate instruments		
Financial liabilities	**16.754.524**	28.218.019

If there is a + / (-) 1% change in variable interest loan interest rates, there will be a change in interest expenses + / (-) TL 167.545 (31 December 2018 – TL 282.180).

d) Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company includes loans disclosed in Note 6, cash and cash equivalents, comprising issued capital, reserves and equity items include retained earnings.

The Company’s board of directors review the capital structure semi-annually. The Company management considers the cost of capital and the risks associated with each class of capital. The management of the Company aims to balance its overall capital structure through new share issues, and by issue of new debt or the redemption of existing debt.

In addition, and consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

	December 31, 2019	December 31, 2018
Total financial liabilities	**890.278.598**	655.771.901
Cash and cash equivalents (-)	**(50.588.796)**	(11.830.347)
Net financial liabilities	**839.689.802**	643.941.554
Total capital	**290.399.803**	484.072.383
Net financial liabilities / total equity ratio	**2,89**	1,33

29. Fair value disclosures

Fair value is the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between knowledgeable willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists.

Financial instruments

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market transaction.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. Cash and cash equivalents are measured at fair value. Trade receivables and receivables from related parties are carried at their amortized cost and considered to approximate their respective carrying values.

Financial liabilities

Trade payables and receivables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values

The fair values of short-term bank loans and other monetary liabilities are estimated to approximate their carrying values due to their short-term nature. Since long-term floating rate bank loans are updated with regard to the changing market conditions, it is considered that the fair value of these loans represents the value they bear. When the long-term fixed interest rate borrowings are valued at the fixed interest rate as of the balance sheet date, fair value is found to be close to the carrying value.

Fair value levels

The fair values of financial assets and financial liabilities are determined as follows

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

(Currency – In Turkish Lira ("TL"), unless otherwise indicated)

29. Fair value disclosures (continued)

As of December 31, 2019, and December 31, 2018 The Company's financial assets and liabilities' fair value levels are as follows:

December 31, 2019	**Fair value level as of the reporting date**		
	Level 1	**Level 2**	**Level 3**
Financial assets	**TL**	**TL**	**TL**
Private sector equity securities	**24.410.036**	**-**	**-**
Total assets	**24.410.036**	**-**	**-**

December 31, 2018	Fair value levels as of the reporting date		
	1. Level	2. Level	3. Level
Financial assets	TL	TL	TL
Private sector equity securities	17.772.866	-	-
Forward foreign exchange contracts	-	186.429	-
Total assets	17.772.866	186.429	-

Non-financial assets

Real estate appraisal reports prepared by a real estate appraisal company authorized by the CMB are used to determine the fair values of land and land measured at fair value on the financial statements. Tangible assets measured at fair value are based on the reports prepared by the real estate appraisal company.

The fair value classifications of non-financial assets measured at fair value are as follows:

			December 31, 2019
	Fair value level as of the reporting date		
	Level 2	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Land	**-**	**-**	**98.390.620**
	-	**-**	**98.390.620**

The methods used to determine the fair values of land and land measured at their fair value and the significant unobservable assumptions are as follows:

	Valuation Method	**Important inputs that cannot be observed**	**Data interval**	**Weighted average**
Tangible Assets				
Land	Equivalent of precedent	• comparative selling price – (TL/m2)	TL 8-140	TL 26

30. Subsequent events

None.

31. Disclosure of other matters

Convenience translation to English:

As at December 31, 2019, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying 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 financial statements are not intended to present the financial position and results of operations in accordance with IFRS.