ÇİMSA

2018 INTEGRATED ANNUAL REPORT

CONTENTS

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Çimsa 2018 Integrated Annual Report ("The Report") was prepared by Çimsa Çimento San. ve Tic. A.Ş. (Çimsa) in accordance with the requirements of informing stakeholders, Turkish Code of Commerce (TTK), Capital Markets Board of Turkey (SPK), UNGC Progress Report, CSI, IIRC and the GRI (Global Reporting Initiative) reporting principles.

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

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

QUALITY, PERIOD AND EXTENT OF THE REPORT

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

This integrated annual report covers the period from 1 January - 31 December 2018.

All information in the Integrated Annual Report, which also includes the Annual Report of the Board of Directors, refers to the end of 2018 unless otherwise stated.

Financial and non-financial data pertaining to Afyon Çimento Sanayi T.A.Ş., a 51% owned affiliate of Çimsa, are included to the figures presented in this report.

This report also proves that Çimsa has adopted integrated thinking and sustainability on an end to end basis in all of its business processes. This approach strongly supports Çimsa's efforts to conduct its business in the most appropriate way, both for the society it belongs to and for our world.

PUBLICATION OF THE REPORT

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

COMPLIANCE WITH LEGISLATION AND THE REGULATORY FRAMEWORK

This report complies with the International Integrated Reporting Framework suggested by the IIRC.

The report was prepared in accordance with the core option of the GRI G4 Reporting guidelines published by the Global Reporting Initiative (GRI). The contents of the report were gathered on the principles on the determination of report content described in the GRI Standards Guideline, especially on the principle of prioritization.

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

The 2018 Integrated Annual Report of Çimsa, whose shares are publicly traded on the Borsa Istanbul Exchange, is also in accordance with the minimum annual reporting requirements of the Turkish Code of Commerce and the Capital Market Law.

AUDIT

The financial statements presented in Çimsa's 2018 Integrated Annual Report were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst&Young). Independent Assurance Declarations concerning other matters are presented on Page 220.

The Turkish language version of this report has been published on March 27, 2019.

GRI 102-46

“Within the scope of our Group’s future vision, Çimsa continues to generate permanent value for its stakeholders, to consolidate shareholder value and to contribute to the Turkish economy by unwaveringly carrying out its growth strategy.”

Dr. Tamer SAKA
Chairman of the Board of Directors

“In a year marked by volatilities in the global and national economy, Çimsa not only achieved its financial and operational targets, but also continued to move forward with determination which is important for shaping its future.”

Ülkü ÖZCAN
General Manager

We created lasting value by managing the dynamics of 2018 with our agile and rational strategy.

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

INTELLECTUAL CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

NATURAL CAPITAL

As a publicly traded company, Çimsa has adopted the developmenat of shareholder value as one of its main targets.

Çimsa's sustainable growth journey, which started 46 years ago, reached a new stage in 2018.

Dear stakeholders,

IN ADDITION TO GENERATING ADDED VALUE FOR ITS STAKEHOLDERS, OUR COMPANY HAS SUCCESSFULLY PRESSED AHEAD WITH ITS STRATEGIC STEPS.

Our pioneering position in the Turkish cement industry has advanced further with the strategic steps we have taken in 2018. In a year in which we achieved major breakthroughs for the future, we achieved a healthy and sustainable financial and operational performance with our commercial activities in the cement industry.

As a distinguished member of the Sabancı Cement Group, Çimsa continues to generate permanent value for its stakeholders, consolidating shareholder value and contributing to the Turkish economy by unwaveringly pursuing its growth strategy within the scope of our Group's future vision.

The steps taken towards "becoming a global player" - the most important component of this vision - became more evident in 2018. Çimsa's export performance has improved with added momentum, as we have continued to generate added value with high market efficiency in different countries. Meanwhile, the investments undertaken by Çimsa America - our affiliate in the United States - have continued in line with our strategic plan with the facility approaching its completion.

WE ARE READY FOR THE FUTURE WITH OUR POWERFUL AND AMBITIOUS CORPORATE IDENTITY.

As one of the leading companies in the Turkish industrial sector, Çimsa distinguishes itself with its high predictive power, sound financial structure, ability to adopt to transformation and its professional human resources.

We are taking the important steps with determination, which will carry Çimsa to the future, in line with our vision of a 'Sabancı of the New Generation' which has been adopted by the Group on an end-to-end basis. The 'Sabancı of the New Generation' vision has enhanced our business with its guidance, as we are in the process of activating a cultural and technological transformation in all of our processes, taking important steps towards achieving these steps.

Thanks to this approach, which prioritizes innovation and higher added value production, we continue to move forward with determination, aiming to do our best for the country, the Sabancı Group and for our stakeholders.

Based on the same understanding, we will continue to pursue and evaluate potential opportunities which will contribute to our growth in the domestic market as well as in other regions of the world.

FURTHER STRENGTHENING SHAREHOLDER VALUE

As a publicly traded company, Çimsa has accepted the development of shareholder value as one of its main targets. The investments we undertake in Turkish industry represent as important a contribution to our brand and shareholder value as our operational and financial performance.

The tremendous importance we attach to R&D and our strategic steps and projects in digitalization are key factors in advancing our Company's total value and prestige on a global scale, as well as setting the direction of our development.

We think that the coming period in 2019 and beyond will be marked by volatility both at a global level and in the national economy.

Against such a backdrop, Çimsa is strategically entering new regions as well as focusing on consolidating its traditionally strong domestic presence, managing the risks correctly and advancing our brand to the future with a healthy financial structure.

As a widely renowned and pioneering player in the cement sector, and indeed a major component in the vision of the new Turkey, our Company will continue to deploy its competencies tirelessly in order to generate permanent value and to increase its contribution to the national economy.

As a member of Sabancı Group, which accomplishes its investments and projects with a long term approach and a belief in the boundless potential of the national market, we look to the future with confidence.

On behalf of myself and our Board of Directors, I would like to pay my respects to all of our stakeholders, especially our employees, our customers and international business partners, and I would like to thank them for their warm support for the Çimsa brand.

Dr. Tamer SAKA
Chairman of the Board of Directors

Accomplishing its investments with a belief in the boundless potential of the national market, Çimsa looks to the future with confidence.

GRI 102-14, 103-1, 103-2, 103-3

The Turkish cement industry successfully maintains its position of being Europe's leading cement producer, while ranking in the top 5 in the global league.

In 2018, Çimsa continued its investments and strategic steps to further consolidate its competitive edge and position in the global market, generating permanent value for its stakeholders.

Dear stakeholders,

THE GLOBAL ECONOMY CONTINUED TO GROW, BUT DOUBTS HAVE EMERGED OVER FUTURE GROWTH

According to IMF estimates, the world economy grew by 3.7% in 2018.

An analysis of the global growth trends in 2018 clearly demonstrates that the contribution from developed countries to the global economy gained strength, with a slowing tendency in developing countries, particularly China. Although global growth maintained its positive momentum in 2018, a number of developments have called the sustainability of this strong performance into question.

The tightening in monetary policies under the leadership of the world's major central banks, the increase in funding costs, the deterioration in the inflation outlook and the emergence of trade wars all point to risks to future growth, as seen in the weakening in portfolio flows to emerging economies during the same period. Based on the Global Outlook report published in January, the IMF forecasts that the global economy will grow by 3.5% in 2019.

As well as less abundant global liquidity in 2018 as a result of the steps to normalization taken in the monetary policies of developed countries, the Turkish economy was also affected by geopolitical developments in neighboring regions. After the vigorous growth in 2017, the Turkish economy recorded 2.6% growth in 2018.

Exports were the most powerful anchor of the Turkish economy in 2018, increasing their weight in the growth composition. This was one positive development in the economy in 2018, helping to balance the trade deficit and current account deficit. The annual foreign trade deficit decreased from USD 77 billion in 2017 to USD 55 billion in 2018, while the current account deficit decreased from USD 47 billion to USD 28 billion.

The rebalancing process in the Turkish economy, which became evident in the final quarter of 2018 with declining industrial production and imports, is expected to continue in the first half of 2019, while there are gathering hopes of a moderate recovery and return to growth from the second half of the year.

RANKING AMONG THE TOP FIVE IN THE GLOBAL CEMENT INDUSTRY, TURKEY MAINTAINS ITS LEADING POSITION IN EUROPE IN TERMS OF CAPACITY.

The Turkish cement industry successfully maintains its identity as Europe's leading cement producer, while ranking in the top five in the global league. Based on figures provided by the Turkish Cement Manufacturers' Association, a total of 54 integrated cement plants and 18 grinding facilities are in operation in Turkey.

The cement industry in Turkey, in which production and sales are directly related to economic growth, has a competitive structure, with

new capacities coming on stream in the industry almost every year. In our opinion, our sector will continue to benefit from the economic growth potential of our region by maintaining its strong position.

A STRONG PERFORMANCE FOR ÇİMSA IN 2018.

In a year marked by significant volatility in the global and national economy, Çimsa not only achieved its financial and operational targets, but also continued to move forward with determination, taking the vital steps to shape its future.

Established in 1972, Çimsa is one of the leading players in the Turkish industrial sector. The Company continued its production activities in all of its factories without interruption, meeting its customers' product and service needs in a complete and timely manner with its market-oriented approach and wide distribution network.

Our total sales of cement surpassed 6.4 million of tons in 2018, reaching a turnover around TL 1,700 million.

One of the world's top three brands in the white cement sector, Çimsa is truly an international cement producer with its international structure.

Our gross profit ratio was 24% with an EBITDA margin of 23% and a consolidated net profit of TL 154.9 million. We generated a Return on Equity of 11% and a Return on Assets of 4%.

WORKING TO BRING OUR ÇİMSA AMERİCAS INVESTMENT ON STREAM.

In addition to grey cement, Çimsa leads the industry in terms of R&D and innovation with its value-added products such as white cement and calcium aluminate cement.

Ranking among the top three global brands in white cement production, Çimsa is truly an international cement producer with its international structure.

It brings me great pleasure to note that our Çimsa Americas investment, which we are about to bring on-stream, will further strengthen our Company's presence and help stake its claim in the global league. As Çimsa Americas starts production, we aim to achieve strong advantages in terms of logistics, product quality and customer satisfaction in the US market, where we have been active for many years.

We view our human resources as a key component in achieving our future goals.

Within the context of our strategic plan, we aim to bring our Çimsa Americas investment into operation in the first half of 2019.

OUR FAR-REACHING GROWTH STRATEGY IS BECOMING MORE "CONCRETE" WITH EVERY STEP WE TAKE, CONSOLIDATING OUR STRENGTH TO GENERATE VALUE FOR OUR STAKEHOLDERS.

Çimsa works to an unwavering target of sustainable, profitable growth in the short, medium and long term. Sustainability, technology, innovation and human resources are the basis and power axes of our strategy, while we seek a win-win perspective in all of our activities.

By uncompromisingly implementing its strategy, Çimsa notched up new successes in 2018 in the fields which adopted as the main value creation axes. These fields are;

» economic performance,
» new products and new market development through R&D and innovation,
» energy efficiency,
» generation of economic value through environmentally beneficial investments,
» human development and risk-opportunity management

The successes we have achieved support our growth in the medium to long run, and enable us to add sustainable value to the welfare of all our stakeholders, primarily our human resources, our customers and our shareholders.

In 2019, we will accelerate our efforts on digitalization, an area which we place the highest priority to in the context of our growth strategy. While digitalization remains the most important field where our vision of the future becomes concrete, we will also place priority on opportunities and collaborations that create higher value as well as the entry into new markets.

It goes without saying that another important area is our human resources. The satisfaction of our employees, which we deem to be the architects of our future, is of the greatest importance to us. Çimsa's commitment in human resources is to maintain, and improve upon, a business environment where universal employee rights are protected, full compliance with the legislation regulating work life is maintained, capabilities are developed and where there is full equality of opportunity for men and women and the highest standards in OHS.

Believing human resources are a major component in the success needed to achieve our future goals, our Company will continue to develop its human resources and invest in its competencies by maintaining its focus in this area.

We are committed to investing in the Turkish economy, to produce and to contribute to the construction of a better future.

IN 2019...

We are going through a conjuncture dominated by volatility in the market and competitive conditions.

Based on the strong foundation built over almost half a century, Çimsa will press ahead in its progress in the cement and building materials sector carefully, being risk-driven but strong and determined.

It is our strong conviction that we have much to add to the achievements we have built over the last 46 years.

Having always acted under the principle of profitable growth and building a future worth living in all circumstances, the Çimsa family has created added value for the national economy with the production it carries out, the employment it creates, the taxes it pays and the exports it makes. It gives us great pleasure to see that the value of our added-value production strength is better understood than it ever has been.

We have a strong conviction that we have much to add to the achievements we have built over the last 46 years.

In the coming period, we will continue to work with determination, stability and motivation and to further consolidate our leading position in the sector while reinforcing our global and local achievements.

Despite fluctuations and stagnations in the short term, we strongly believe in the potential of our country and our surrounding region. We are committed to investing in the Turkish economy, producing and contributing to building a better future.

On behalf of myself and Çimsa management team, I would like to extend my sincere thanks to you, our stakeholders, for your contribution and the support you given us for our efforts in building a more sustainable world.

Ülkü ÖZCAN
General Manager

Dr. Tamer SAKA
Chairman

Barış ORAN
Member

Nazmi AKDUMAN
Independent Member

Serra SABANCI
Deputy Chairman

Dilek YARDIM
Independent Member

Gökhan EYİGÜN
Member

See page 87 for CV information.

GRI 102-18

Ümit ÇETİN
Vice General Manager
(Supply Chain)

Eren MANTAŞ
Vice General Manager
(Finances and Financial Altairs)

Caner TÜRKYENER
Vice General Manager
(Technic)

Ülkü ÖZCAN
General Manager

Tuğba ÇÖRTELEKOĞLU
Vice General Manager
(Human Resources)

Hüseyin ÇAĞLAR
Vice General Manager
(Sales and Marketing)

See page 87 for CV information.

GRI 102-18

02 ABOUT ÇİMSA

Strong Added Value

Çimsa continues to create value for all of its stakeholders with its continuously developing product portfolio, competent and qualified employees and more than 45 years of experience in the market.

Corporate Profile

ACTING AS A PIONEER IN ITS SECTOR FOR A FUTURE WORTH LIVING.

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

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

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

In addition to grey cement, Çimsa also produces special products such as white cement and calcium aluminate cement. In the ready-mixed concrete sector, Çimsa boasts Turkey's largest ready-mixed concrete facility network, with 19 ready-mixed concrete facilities.

PRODUCTION POWER

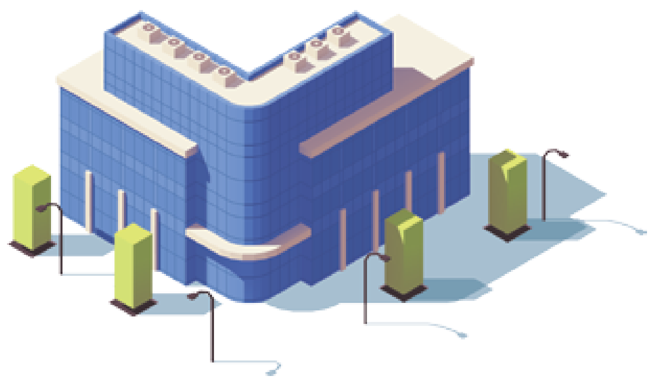
Established in

1972

Çimsa, a Sabancı Holding affiliate, commenced its operations in 1972.

GRI 102-6

Çimsa will carry its leading position in the sector to the future by evaluating new business opportunities.



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

Exporting white cement and special products to more than 65 countries, mainly to markets in the Middle East, Europe, North Africa and the United States, Çimsa increases the recognition of its brand on international platforms as well as increasingly contributing to its sector and the Turkish economy.

AIMING FOR CONTINIOUS GROWTH BY MAKING A DIFFERENCE IN ITS INDUSTRY.

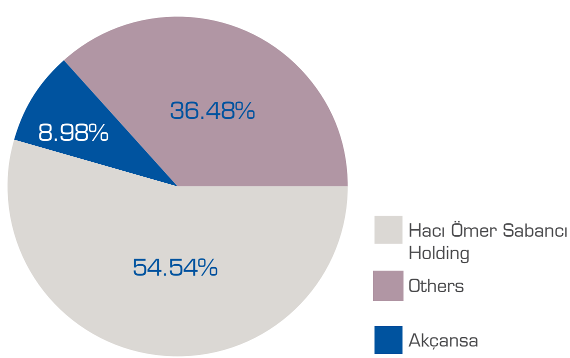
Çimsa continues its stable growth process backed by its longstanding experience in global and local markets, its know-how, its R&D work which shapes the sector and its identity as a reliable partner for its employees and stakeholders.

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

Çimsa's shareholding structure as of the end of 2018 was as follows.

Shareholders	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	54.54
Akçansa	8.98
Others	36.48

Shareholders Structure



The shares of Çimsa are traded in Stock Exchange Istanbul.

Çimsa is included in the Borsa İstanbul Sustainability Index.

Çimsa at a Glance

A leading player in Turkey's cement industry, Çimsa launched its operations in 1972.

27.4
TL MILLION
Environmental Investment

20,776
TONS CO_2/YEAR
Emission Savings

40,529
PERSON HOURS
Total Training

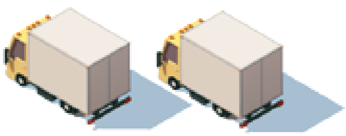
5.8
MILLION TONS
Cement Production

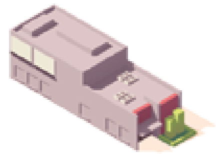
20.2
USD MILLION
Total Investments*

388
TL MILLION
EBITDA

*Kapasite yatırımları hariç

GRI 102-6





More than **65**

Export Destinations

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

6

Plants

MERSİN, ESKİŞEHİR, KAYSERİ, NİĞDE
AFYONKARAHİSAR

ANKARA CEMENT GRINDING AND PACKAGING FACILITY
MARMARA TERMINAL
MALATYA CEMENT PACKAGING FACILITY

6

International Terminals

CIMSA CEMENT SALES NORTH GMBH (GERMANY)
CIMSA ADRIATICO S.R.L (ITALY)
CIMSA CEMENTOS ESPANA S.A.U. (SPAIN)
CIMSA CEMENT FREE ZONE LTD. (TRNC)
CİMSAROM MARKETİNG DİSTRİBUTİE S.R.L. (ROMANYA)
OOO CIMSA RUS CTK (RUSSIA)

Product Range

» Gray cement
» White cement
» Calcium aluminate cement
» Special products
» Ready-mixed concrete

One of the top 3 white cement producers in the world

Grey cement standard and special products
www.cimsa.com.tr/cimento

White cement standard and special products
formulunadi.com/tr/anasayfa/

Çimsa continues to develop innovative products and to offer customized solutions to meet the different needs of its customers by following technological and scientific developments in the ready-mixed concrete sector.

Ready-mixed concrete standard and special products
www.cimsa.com.tr/hazir-beton

Domestic Facilities

ESKİŞEHİR PLANT

A cement facility with the highest rate of substitute fuel consumption in Turkey

Grey cement	1.2 million tons per annum
White clinker	450,000 tons per annum
Established in	1957
Became operational in	2005

KAYSERİ PLANT

The cleanest industrial plant in Turkey

Grey cement	1,098,000 tons per annum
Established in	1992
Became operational in	1995

MERSİN PLANT

Grey, white and calcium aluminate cement production from the same premises

Grey cement	1.25 million tons per annum
White clinker	1.22 million tons per annum
Calcium aluminate cement	45,000 tons per annum
Established in	1975
Became operational in	1975

NİĞDE PLANT

Çimsa's greenest plant where wildlife is protected

Grey cement	817,600 tons per annum
Established in	1957
Became operational in	2007

AFYON PLANT

Production facility equipped with modern technologies

Grey cement	1,865,000 tons per annum
Established in	1957
Became operational in	2012

ANKARA CEMENT GRINDING FACILITY

Portland cement grinding capacity	85 tons/hour
Grey cement	204,000 tons per annum
Established in	2002
Became operational in	2005

MARMARA PACKAGING FACILITY

Installed horizontal silo capacity	6,000 tons
Bagged and bulk cement packaging/loading capacity	100 tons/hour
Rented in	2008

MALATYA PACKAGING TERMINAL

Processing and packaging unit capacity	60,000 tons per annum
Cement silo capacity	900 tons
Established in	1996

GRI 102-4

International Terminals

CIMSA CEMENT SALES NORTH GMBH (GERMANY)
Acquired by Çimsa in 2014, Cimsa Cement Sales North GmbH carries out the marketing of white and calcium aluminate cement in North and Western Europe under the Çimsa brand, with its bulk cement silo of 9,000 tons. The Company's registered office is located in Hamburg and provides services in Germany and the Netherlands with various packaged product warehouses and recycling facilities. Directly accessing the markets of Germany and neighboring countries with its own brand, Çimsa is one of the most popular brands thanks to its product and service quality.

CIMSA ADRIATICO S.R.L (ITALY)
A Çimsa brand, Cimsa Adriatico SRL serves the Italian cement market - the third largest consumer of white cement in Europe after Spain and Germany - with four silos each with a capacity of 5,000 tons at the Trieste Port. With its advantageous location, the terminal also offers access to the Slovenian, Croatian, Bosnia and Herzegovinian, South East German and Austrian markets, all of which offer high potential for development. In addition to white cement storage and packaging, the terminal is suitable for the storage of grey cement, as well as providing ISIDAÇ 40 (calcium aluminate cement).

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

The Alicante Terminal, one of Spain's most modern cement terminals, has been marketing Çimsa white cement for customers in Alicante, Murcia, Valencia, Catalonia, Toledo, Madrid and Gijon since 2011.

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

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

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

CIMSA AMERICAS CEMENT MANUFACTURING AND SALES CORP. (USA)
Çimsa founded Cimsa Americas Cement Manufacturing and Sales Corp. with a capital of US$ 14 million in the United States in 2017. The company's field of activity is defined as cement production, sales and marketing. Work is still ongoing ahead of the launch of production activities.

USA, Germany, Italy, Spain, the TRNC, Romania, Russia

Milestones

1972
Çimsa was founded in Mersin.

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

1988
Entered the ready-mixed concrete sector.

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

1995
A milling/packaging facility was purchased in Kayseri.

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

2002
The first Calcium Aluminate Cement was produced in Turkey.

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

2006
The Romania sales office was established.

2007
Çimsa acquired the Oysa Niğde Plant.

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

2009
The Russia terminal entered operation.

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

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

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

2013
Became the first and only Turkish company to join the Cement Sustainability Initiative (CSI), and signed up to the Principles of the United Nations Global Compact.

2014
The decision was taken on 21 November 2014 to renew the Afyon Cement Plant with an investment budget of USD 165 million. The Eskişehir Plant received the TS10002 Customer Satisfaction Management System certificate.

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

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

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

2018

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

03 STRATEGY AND STAKEHOLDERS

An Integrated Perspective

The integrated perspective, behavior and execution style enables Çimsa to maintain its competitive production clout, maintain its growth and create value; and helps it reach its short, medium and long-term goals.

Çimsa's strategy serves as guidance for all operations carried out in domestic and international markets.

A STRONG STRATEGY

ÇİMSA'S PRIMARY THEMES

BEING PEOPLE-ORIENTED

CUSTOMER SATISFACTION AND MARKET FOCUS

SUCCESS BASED ON ECONOMIC PERFORMANCE

SUSTAINABILITY

Strategic focus

Çimsa's Strategy			
Profitable growth	**Market focus**	**Operational excellence**	**Inorganic growth**

Strategic basis

Sustainability	Energy Efficiency, Alternative Fuel and Raw Materials, Emissions and Water Management, Stakeholder relations, Corporate Social Responsibility
Human Resources	Establishing an innovative, dynamic and institutional organizational infrastructure to support company strategies / Development and Change Management
Technology and innovation	Technological developments in product and production process through R & D studies

Çimsa's Strategy and Value Creation Process

Çimsa accepts sustainability as an important component in its journey to reach its strategic focus and all of its activities are carried out with this perspective.

Çimsa's strategy serves as guidance for its decision taking processes at all levels in all of its operations carried out in the domestic and international markets.

A strong financial and operational performance is only a part of Çimsa's total output. Çimsa also considers the outputs derived from the interactive relationship which it has built with its stakeholders and its impact on society in the widest sense.

This integrated perspective, behavior and execution style enables Çimsa to maintain its competitive production clout, maintain its growth and create value; and helps it reach its short, medium and long-term goals.

In line with its master strategy and the priorities it has set out for 2017 and 2018, Çimsa has determined the following topics as "main value creation elements":

» Economic Performance
» New Product and New Market Development Through R&D and Innovation
» Energy Efficiency
» Creation of Economic Values Through Environmentally-Friendly Investments
» Human Development
» Management of Risks and Opportunities

In the framework of value creation elements, Çimsa has defined the main targets that will shape its success in the short, medium and long term, and has set out the performance indicators it specified within these main targets for a period of up to 5 years.

This framework ensures the execution of Çimsa's value creation chain that serves Çimsa's 6 different capital elements and which is aligned with the company's strategy and business model, in a manner that promotes the participation of all departments with a team spirit. In the scope of the work carried out based on holistic integrated governance principles, the expectations and needs of Çimsa's primary stakeholders are taken into consideration, ensuring the sustainability of the activity cycle based on a win-win approach.

ÇİMSA'S PRIMARY THEMES

» Being people-oriented
» Customer satisfaction and market focus
» Success based on economic performance
» Sustainability

Çimsa integrates these capital components into its corporate strategy and executes a balanced business model which goes beyond financial sustainability.

Six different capital groups point to the channels through which Çimsa's strategy generates long-term added value for its stakeholders.

Çimsa considers people to be the highest value.

During Çimsa's business model constitution process, parallel priorities have also been fixed along with the six value creation components. In this context, Çimsa's primary themes have been gathered under four main banners.

» Being people-focused
» Customer satisfaction and market focus
» Success based on economic performance
» Sustainability

The company conducts studies for each priority in the framework of the operation model it has established, and creates value for the relevant stakeholder group.

THE RELATIONSHIP BETWEEN ÇİMSA'S FOUR PRIORITIES WITH THE VALUE PRODUCTION CYCLE

Çimsa considers people to be of the highest value. In terms of employees and suppliers/subcontractors who constitute the company's primary stakeholders, creating and maintaining a work environment which is in line with occupational health and safety requirements and based on communication and development-oriented management principles represent our main goals. The competence, knowledge and skills of employees are enhanced through development programs; as such, all Çimsa employees participate in Çimsa's journey towards reaching its goals.

An R&D and innovation-oriented approach is the main source of strength from which Çimsa manages its customer satisfaction and focuses on the market. Çimsa aims to manage customer service processes in such a way as to ensure superior product and service quality by developing new products that will meet the needs and expectations of customers.

Çimsa places priority on achieving economic performance-based success. In this context, the company integrates its studies of excellence to all of its activities and adopts efficient financial management, working capital management, production management and purchasing and logistics management as tools to add value.

Under the banner of sustainability, Çimsa ensures that all adequate management-audit-control principles are spread to all processes of the company, hence reinforcing its image as a company that pursues its presence in the cement sector with outstanding applications and a strong stance. Çimsa strives for environmentally friendly management which is fully aligned with the law and is aware of the danger of climate change.

An R&D and innovation-oriented approach is the main source of strength from which Çimsa manages its customer satisfaction and focuses on the market.

An R&D and innovation-oriented approach is the main source of strength from which Çimsa manages its customer satisfaction and focuses on the market.

Çimsa Business Model

OUR REASON FOR BEING

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

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

Our Values

- Human Development
- New Product and New Market Development Through R&D and Innovation
- Economic Performance
- Creation of Economic Values Through Energy Efficiency and Environmentally-profitable Investments
- Management of Risks and Opportunities

Our Priorities

- Being Human-Oriented
- Customer Satisfaction and Being Market-oriented
- Success Based on Economic Performance
- Sustainability

Our Operation Model	Main Stakeholders We Provide Benefit	The Value We Create
Management Based on Communication and Development		Increase competency, knowledge and skills of employees through development programs A work environment and culture in line with Occupational Health and Safety requirements
R&D and Innovation Approach Customer Technical Support Units		Development of new products that will satisfy the needs of customers Management of operation and customer support processes so as to ensure superior quality of products and services
Operational Excellence		Effective financial management Effective net working capital management Efficient production operations and management Effective purchase and logistics management
Management-Audit-Control		A company profile that preserves itself in the cement industry with outstanding applications and a strong stance. An environmental management in line with legal regulations and sensitive to climate change.

Çimsa's Stakeholders

Customers (Dealers and Users)
Personnel
Shareholders and Investors
Suppliers and Subcontractors
Local People and Public Opinion
Public Institutions

The Value Produced by Çimsa and Objectives

Related Priority	Capital	The Value Factor	Main Target
Being Human-Oriented		A, D, E	Ensuring that Çimsa gains new development models and that all personnel benefit from all training and development opportunities available within the scope of their career plans.
		A, D, E	Reaching zero occupational accidents level through programs aimed at increasing and improving the OHS Culture
		A, D, E	Harmonizing the OHS Management Systems of suppliers and subcontractors with Çimsa's system
		D, E	Development and dissemination of the Children of Summer Project organized for children as part of Çimsa's main social responsibility project focus: children
Customer Satisfaction and Being Market-oriented		A, B, D, E	Development of non-available new products according to customer and market needs and leading the industry with new products.
		A, B, D, E	Ensuring the organizational diffuseness of know-how information developed through the R&D center so as to run all Çimsa business processes in a way that will satisfy customers and be market-oriented.
		A, B, D, E	Management of operation and customer support processes so as to ensure superior quality of product and service
		A, B, D, E	Conducting joint projects with Çimsa stakeholders (universities, NGOs and customers)
Success Based on Economic Performance		A, C, E	Improvement of energy and environmental performances with new technological facility investments
		A, B, E	Ensuring sales and profitability maximization with white cement and other special products
		A, C, D, E	Optimization of production costs with the use of alternative fuels and raw materials, reduction of natural resources consumption
Sustainability		E, C	Reducing greenhouse gas (GHG) emission
		E	Possession of footprint certificates of international standards

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 204-1, 416-1

Çimsa's Value Factors

A Ekonomic Performance

B New Product and New Market Development Through R&D and Innovation

C Creation of Economic Values Through Energy Efficiency and Environmentally-profitable Investments

D Human Development

E Management of Risks and Opportunities

Key Performance Indicators	2018 Performance	X + 5 Target/Project
% Completion Rate of Çimsa Management Path and Career Kitchen trainings	In line with the strategic priorities, the New Term Leader Development Program and Career Kitchen trainings were not organized in 2018, instead a Leader Development Program was designed with the slogan "Born To Be Leader". The program aimed to improve the effective leadership competencies and skills of the managers working in managerial positions. In the program consisting of 5 modules, 1,472 man hours of training was conducted on leadership and management issues.	100%
Rate of accident frequency and severity	Accident Frequency Rate: 5.99 Accident Severity Rate 0.1407	» Reducing the rate of accident frequency with day loss below 3 » Reducing Çimsa's accident severity rate below 0.15
Rate of accident frequency and severity	Accident Frequency Rate 5.99 Accident Severity Rate 0.1407	» Reducing the rate of accident frequency with day loss below 3 » Reducing Çimsa's accident severity rate below 0.15
Rate of implementation of the project in provinces where Çimsa operates	In 2018, the Çimsa Yaz Çocukları project was launched in Kayseri as well as in Niğde and was completed with the participation of approximately 30 children. Having started in 2011, the project reached 863 children in 3 provinces in total at the end of its 8th year.	In the next 5 years, implementation of the project during at least one term in provinces where Çimsa operates
» Number of cement types developed » Number of cement types commercialized	» UPCEM - Work on developing high performance gray cement is ongoing and the first phase of the project has been completed. Trial works for processing iron ore in blast kiln and design works for chemical additives will be continued in 2019 in the. » INOVACEM - The development of a new type of cement that can be cured with carbon dioxide has been completed. The product has been tested in METU curing system. » Ironman – Development studies for Ca Flux, a special melting and purification material for the iron and steel industry, has been finalized and a an import substitution product for Turkey has been achieved. » Rapcure – Work aiming to increase production capacities of customers by reducing the fast pre-curing time through replacing gray cement used in the gas concrete industry with the Inspira white cement has been completed. » The transition to white cement production at the Eskişehir Plant was completed. Industrial trial production of high early strength white cement was performed.	» Production of planned special cement types » Developing alternative application methods that will expand cement usage areas
» Development of a portal accessible by all Çimsa members » Number of publications created by R&D in the portal » Number of monthly R&D sharing meetings	» A project tracking interface was created for customer work and process support, and reports, more than 500+ pages, were issued. » 10 monthly articles were shared. » 18 study and research inquiries were reported and finalized in due manner.	Systematizing internal / external customer R & D trainings
» Number of customer visits throughout the year » Number of customer technical support expectations met » Number of complaints solved with R&D support	» In 2018, 95 customer visits were made. » More than 500 technical support calls were made.	Systematizing customer trainings under customer technical support services
» Number of common projects with universities » Number of projects realized with NGOs » Number of common projects with customers	104 different competitor analyses were performed to determine customer, product and service needs.	Increasing the number of projects carried out jointly with domestic and foreign stakeholders
» Number of investments carried out as a result of a R&D project aimed at decreasing specific electrical and thermal energy consumption and rate of improvement reached » Number of investments carried out as a result of projects aimed at decreasing pollution load and rate of improvement reached » Number of investments carried out as a result of a R&D project aimed at decreasing carbon footprint value and rate of improvement reached	Since Afyon Çimento is newly integrated into the metering system, 2018 is considered as the base year. Performance measurements will also be made in 2019.	Decrease of specific electrical and thermal energy consumption by 5%
» Rate of increase in demand of special products resulting from improvements » Rate of decrease of costs of special products resulting from improvements	In 2017-2018, the sales volume of special products increased by 2% and its share in EBITDA rose by 13%.	Increase of use of special products in national and international markets by developing new application areas
» Alternative fuels consumption rate » Alternative raw materials consumption rate	Alternative fuel utilization rate: 6.8% Alternative raw material utilization rate: 3.78% (Including Afyon Çimento)	Completing the required investment needs and meeting at least 10% of the total thermal power of Çimsa plants with alternative fuels
Rate of reduction in the CO2 emission generated for each ton of product	Once the Emission Trading System or carbon tax system is activated in Turkey, the performance evaluation will be done.	Reduction of greenhouse gas in accordance with legislation
Ensuring the continuity of the ISO 14046 Water Footprint Certificate and of necessary verification studies	Obtained for all factories including Afyon Çimento.	Obtaining the ISO 14064 Carbon Footprint Certificate

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 204-1, 416-1

Business Model-Performance of the Year 2018

Financial Capital
- Operating cost of 127 million TL
- Cost of sales 1,293 million TL

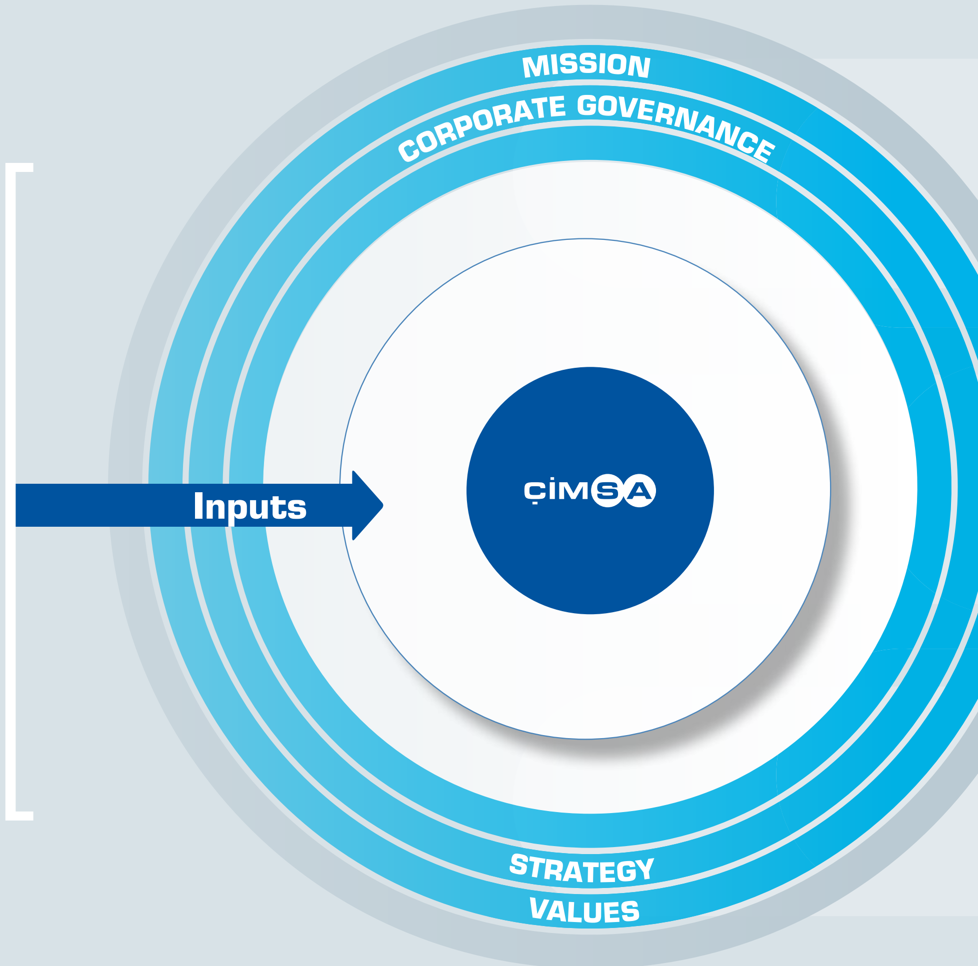
Manufactured Capital
- Use of 8.8 million tons of natural raw material
- Conventional energy consumption input of 19,996 TJ
- 20.2 million USD worth of cement plants investment expenditure
- 0.6 million USD worth of ready-mixed concrete facility investment expenditure

Intellectual Capital
- 26 R&D employees
- 4,147,211.90 TL worth of R&D expenditure
- 3 new patent applications during reporting period
- 1 ongoing Horizon 2020 Project

Human Capital
- 1,130 total employees
- 68 female employees

Social and Relationship Capital
- 1,601 local suppliers
- 22 memberships in local and international intiatives

Natural Capital
- 369,237 tons alternative raw material consumption
- 82,245 tons alternative fuel consumption
- 6.8% rate of alternative fuel consumption

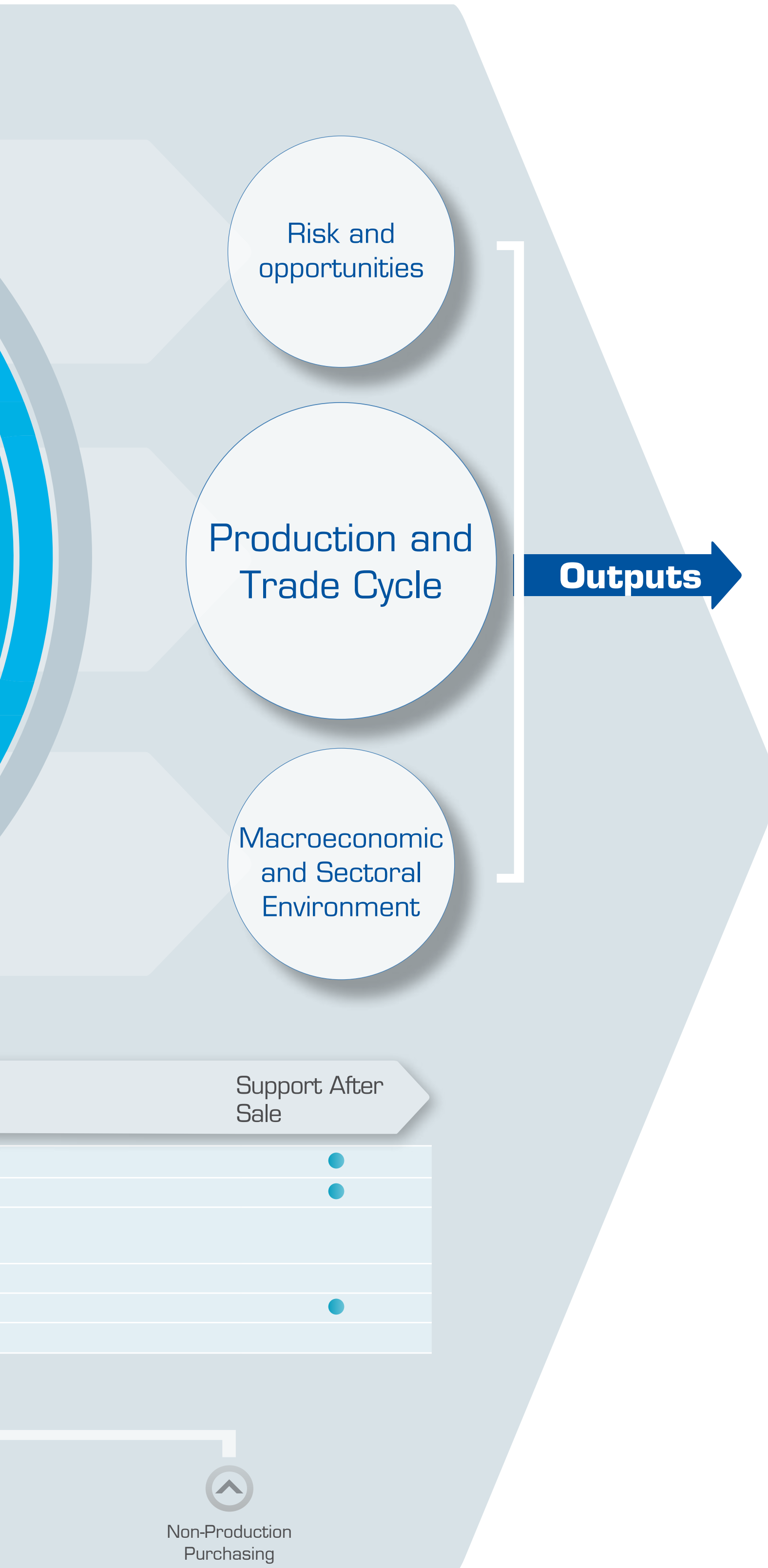


MAIN PROCESSES	Strategy Formulation	Demand Management	Order Delivery
Sales and Marketing	●	●	
Teknical	●		●
Finance and Financial Affairs	●		
IT and Digitalization	●		
Supply Chain	●		●
Human Recources	●		

Support Processes

Human Recources | IT | Finance | Operational Excellence

GRI 102-7



Financial Capital

- 1,700 million TL of net sales income
- 154.9 million TL of net profit
- 388 million TL of EBITDA
- 315 million TL of working capital
- 67 million TL of dividends
- 869 million TL of export (gross sales)

Manufactured Capital

- 4.5 million tons of grey cement production
- 1.2 million tons of white cement production
- 30.7 thousand tons of calcium aluminate cement production
- 5.7 million tons of clinker production
- 2.7 million m^3 of ready-mixed concrete production
- 44,016 MWh/year of electrical energy production from thermal waste

Intellectual Capital

- Procurement of 1 patent
- 8 new R&D projects
- 3 overseas publications

Human Capital

- 40,529 man x hour total training
- 26,512 man x hour OHS training

Social and Relationship Capital

- Participation of 863 children to the Çimsa Yaz Çocukları Kampı
- Donation of 50 electric wheelchairs during the Mersin Week for the People With Disabilities (161 in the last 4 years)

Natural Capital

- Saving of 20,776 tons of CO2/year thanks to the production of electricity from waste heat
- Material recovery of 2,570 tons of non-hazardous waste, energetic recovery of 40 tons of non-hazardous waste
- 27,4 million TL environmental investment
- 720 people x hours of environmental training
- 32,178 m^3 water recovery
- Rate of packaging waste recovery: 56%
- Zero environmental penalty

Çimsa's Stakeholders, Priorities and Communication Channels

Çimsa'a primary stakeholders are its employees, its shareholders and investors, its customers, local people and the general public, suppliers and public agencies.

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

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

PRIMARY STAKEHOLDERS

Stakeholder	Priorities	Communication Channel
Employees	Occupational health and safety	Integrated annual report, corporate policies, periodicals, suggestions system, SA-Ethics Principles, collective labor agreement, employee training, occupational health and safety committees, internal notifications, social media, the Company website, social activities
	Values and rights given to employees and employee satisfaction	
	Encouraging the recruitment of women	
	Equality at work	
	Career and development planning	
	Training and development opportunities	
	Economic performance of the Company	
Shareholders and Investors	The Economic performance of the Company	Integrated annual report, corporate periodicals, interim activity reports, general meetings, acknowledgments and material disclosures, investor presentations, meetings and interviews, teleconferences, SA-Ethics principles, social media, e-mail bulletins, the Company website
	Profitability and dividend payout	
	Company sustainability	
	Corporate Governance	
	Company profile and brand reputation	
Customers (Dealers and Consumers)	Customer satisfaction	Integrated annual report, corporate periodicals, product brand-market research studies, meetings and training programs, dealers' meetings, periodic visits, interviews, product tags, SA-Ethics Principles, social media, Company website, social activities
	Product and service guarantees offered to customers	
	Product diversity and customer expectations	
	R&D and innovation	
	Fair market conditions	

Çimsa's Stakeholders

- Customers (Dealers and Consumers)
- Employees
- Shareholders and Investors
- Local People and Public Opinion
- Local People and Public Opinion
- Kamu Kurumları

Stakeholder	Priorities	Communication Channel
Local People and Public Opinion	Environmental impact	Integrated annual report, social development projects, meetings and interviews, social media, Company website, sponsorships
	Climate Change	
	Biodiversity and Ecosystem Development Activities	
	Recruitment (direct/ indirect)	
	Social Impact (SRP- social responsibility projects, etc.) Educational Contribution (internships, awareness raising, etc.)	
Suppliers and Subcontractors	Occupational Health and Safety	Integrated annual report, corporate periodicals, SA-Ethics Principles, meetings and training programs, corporate policies, social media, website, social activities, stakeholders' meetings
	Fair market conditions in terms of price and payment	
	Sustainable service relationship	
	The Economic performance of the Company	
Public Institutions	Environmental Management	Annual report, sustainability report, meetings and interviews, audits, technical reports, Company website, social activities, sponsorships
	OHS management	
	Employee Rights	

OTHER STAKEHOLDERS

Stakeholder	Communication Channel
Academic Institutions	Integrated annual report, meetings and interviews, common projects, Company website, sponsorships, technical visits
Group Companies	Integrated annual report, corporate periodicals, meetings and interviews, common projects, social media, Company website
Financial Institutions	Integrated annual report, interim activity reports, meetings and interviews, Company website
NGOs, Sectoral Institutions and Professional Organizations	Integrated annual report, social development projects, memberships, meetings and interviews, common projects, social media, Company website
Media	Integrated annual report, press conferences and releases, meetings, interviews and meetings, social media, Company website

Prioritization Analysis and Matrix

ANALYSIS PERIOD

Çimsa is in touch with its stakeholders on a periodical basis within the scope of its production and commercial cycle. Additionally, the Company undertakes stakeholder analysis on a regular basis. The stakeholder analysis studies are repeated every two years.

The framework and the content of this report was based on the output of the stakeholder analysis and prioritization work carried out in 2017.

The prioritization matrix presented in the 2017 Report was comprehensively examined by the Çimsa Sustainability Committee on the basis of our 2018 activities, impact areas and stakeholder groups, and its validity was confirmed. In addition to the Committee Members, Çimsa's division managers also participated in the meeting in which the assessment of the prioritization matrix was carried out by the Sustainability Committee.

METHODOLOGIC APPROACH

The stakeholder analysis of Çimsa is based on a methodological approach which takes account of both qualitative and quantitative elements.

In the first phase, the stakeholders which Çimsa collaborates with are reviewed and top priority stakeholders and matters are designated through determining key components of the value creation process.

Surveys are conducted when deemed necessary and data is collected from a sufficient number of samples.

Çimsa also takes the IIRC's six capital components into consideration in designating priorities.

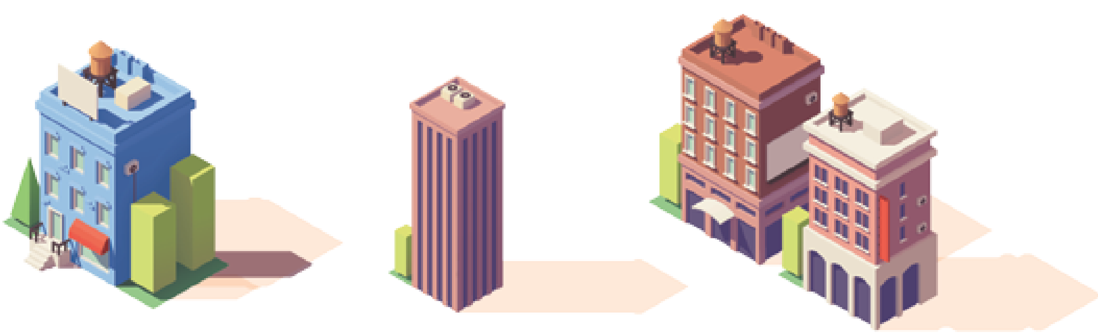
Members of the Sustainability Committee have assessed and ranked the importance of each topic for the stakeholder group concerned, just as they had for Çimsa. The Committee considers both quantitative and qualitative data together in the study process. This twin pronged assessment observed while revealing the prioritization matrix graphic ensures the appropriate determination of Çimsa's focal points.

In terms of methodology, inputs such as feedback, suggestions, complaints and requests notified to Çimsa through the interactive communication process developed with the stakeholders through the different channels are taken into consideration when determining the level of importance of the priorities throughout the activity period.

Çimsa's goal is to ensure that the prioritization process is carried out as part of a systematic process which stakeholders will participate directly in.

As a company engaged in heavy industry, the priority analysis published by Çimsa in this report has been determined in alignment with the company's strategy, business model and main targets.

Due to the requirements of its sector, Çimsa handles its priorities in a dynamic fashion and carry out modifications to these priorities in accordance with the changes taking place in its actives in the coming periods.



PRIORITIES

Financial Capital

2 Profitability and Divident
3 Company's Economic Performance
18 Fair Market Conditions (Price and Payment)

Manufactured Capital

4 Customer Satisfaction
14 Product and Service Guarantee Offered to the Customer
15 Ethics and Corporate Management

Intellectual Capital

8 Product range and customer expectations
11 R&D and Innovation

Human Capital

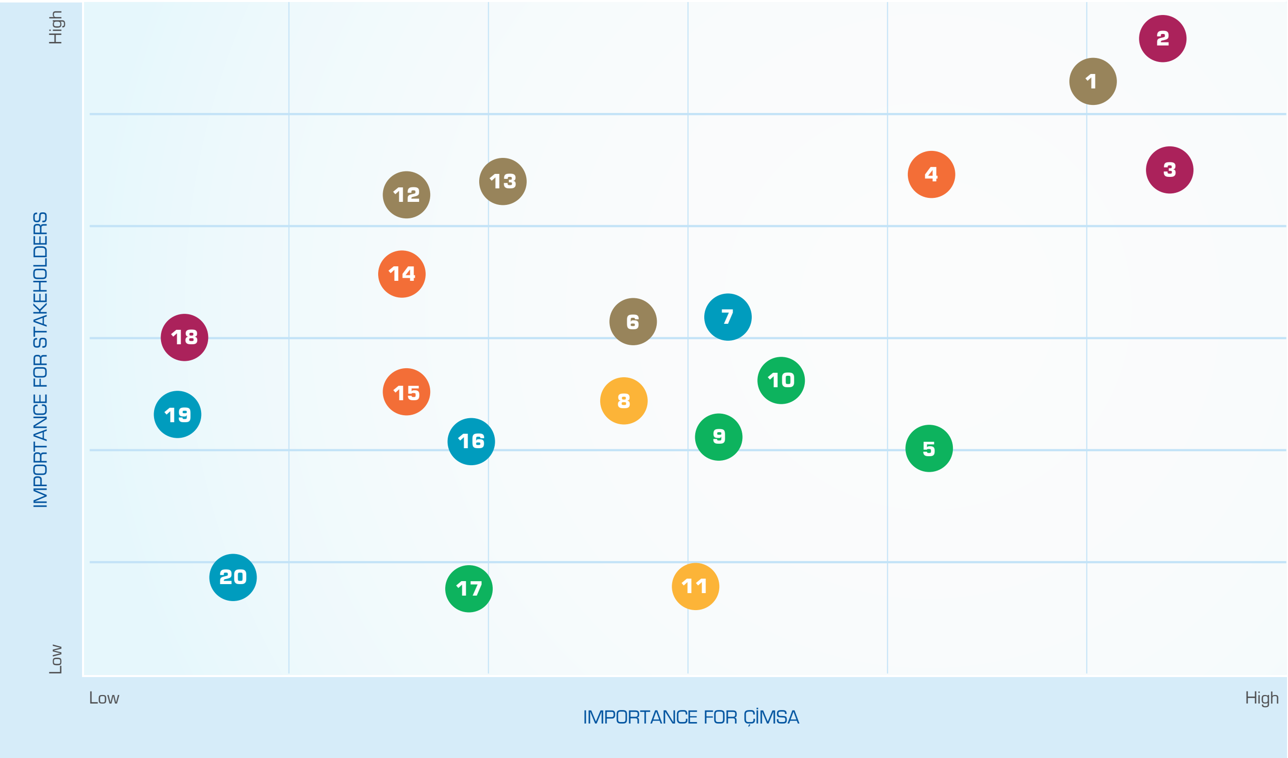
1 Occupational Health and Safety
6 Values and Rights Attributed to Employees and Employee Satisfaction
12 Equality at Work
13 Career and Development Planning

Social and Relationship Capital

7 Company Profile and Brand Reputation
16 Recruitment (direct/indirect)
19 Social Impact (SRP-social responsibility projects, etc.) Educational Contribution (internships, awareness-raising, etc.)
20 Promoting women's employment

Natural Capital

5 Climate Change
9 Environment Management
10 Environmental Impact
17 Biodiversity and Ecosystem Development Activities



The priorities in the matrix are defined by the color codes of the capital groups icons.

GRI 102-46,102-47, 103-1

Sustainable Development Goals at Çimsa

The "Transforming Our Earth: The 2030 Sustainable Development Agenda" Agreement, adopted by the United Nations' 193 member states on 25 September 2015 consists of 17 Sustainable Development Goals and 169 sub-goals.

The 17 Sustainable Development Goals (SDGs) have introduced a much broader sustainability agenda and have gone beyond the Millennium Development Goals.

The goals aim to find solutions to the main causes of poverty and to ensure development as a universal necessity for all.

The global consensus reached around the SDGs has pointed to an important milestone in orienting our globe to a more inclusive and sustainable growth policy.

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

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

Based on findings from ongoing regular and interactive communication with our stakeholder groups, our Leadership Team identified the Goals stated below as priorities for Çimsa, and added them to our strategic agenda.

As part of the company's business cycle, activities considered to be contributing to the SDGs have been covered in detail in different parts of the report.

The 17 Sustainable Development Goals (SDGs) have introduced a much broader sustainability agenda and have gone beyond the Millennium Development Goals.

SUSTAINABLE DEVELOPMENT GOALS

Sustainability Management at Çimsa

Çimsa's sustainability policy is to turn its sustainability approach into a part of the institutional culture and to integrate it into the decision-making, implementation and operation processes of individuals, teams and stakeholders through products and services.

ÇİMSA SUSTAINABILITY MANAGEMENT ORGANIZATION

The management of sustainability at Çimsa is under the responsibility of the Sustainability Committee, which gathered at regular intervals throughout the year under the leadership of the CEO.

The Sustainability Committee consists of the following functions;

» Operations and Investments,
» Environment, Alternative Fuels and Alternative Raw Materials
» Financial Activities,
» Human Resources,
» Purchasing and Logistics,
» Sales,
» Ready-Mixed Concrete,
» Strategy and Work Improvement,
» Sustainability and Process Control,
» Corporate Communication

The aim of the Committee is to achieve its corporate goals by managing sustainability on the axis of feedback from stakeholders, in-house performance and global and local trends. The company's business model, the main targets determined based on the business model and the matrix of priorities are assessed throughout the year by the Sustainability Committee and improvements are closely monitored. At Çimsa, performance indicators pertaining to sustainability have been included in the tracking system and have become an indispensable part of sustainability management.

Management of sustainability at Çimsa is under the responsibility of the Sustainability Committee.

04 THE OCCUPATIONAL ENVIRONMENT AND RISKS

A Balanced Approach

Based on the IMF's World Economic Outlook Report published in January 2019, the world economy notched up a growth rate of 3.7% in 2018, maintaining the growth recorded in the previous year.

The Outlook for the Economy and the Sector

DEVELOPED AND EMERGING COUNTRIES SEE A SLOWDOWN IN THEIR RATES OF GROWTH IN 2018.
After having started the year with positive expectations, 2018 turned out to be a year when the risk of an escalating trade war was used as a policy tool in relations, primarily between the US and China, and increasing geopolitical risks adversely affected global economic activity, particularly in the second half of the year, at the same time resulting in a slowdown in the growth rates of both developed and emerging countries. Nevertheless, despite falling slightly short of the initial growth forecasts drawn up at the beginning of the year, the world economy managed to maintain a growth rate of 3.7% in 2018, based on the IMF's World Economic Outlook Report published in January 2019.

Although the Euro zone maintained its previous year's growth performance in 2018, there was some slowdown from the third quarter of the year. In addition to the uncertainties surrounding the Brexit process, some issues such as the yellow vest demonstrations in France and the budget crisis in Italy had a negative impact on the markets.

On the other hand, the trade war between the US and China, which escalated in 2018 before being suspended temporarily while negotiations took place, had a negative impact on the Chinese economy, which had shown some signs of recovery.

In 2019, the policies to be followed by the central banks of developed countries and global liquidity conditions will have an important bearing on emerging countries. Assuming that liquidity conditions tighten gradually, however, developed countries' central banks are expected to act broadly in line with the forecasts, with no significant hot money outflows from emerging markets, with 2019 being a year of moderation.

In 2019, the policies to be followed by the central banks of developed countries and global liquidity conditions will have a key bearing on emerging countries.

GDP was recorded at TL 3,701 billion in 2018.

Increase in exports

7%

By the end of the year, exports increased by 7% to reach USD 168 billion.

FOR TURKEY, 2018 WAS A YEAR WHERE THE POLITICAL AND FINANCIAL ENVIRONMENT WAS DOMINATED BY A FAST-MOVING AND VOLATILE AGENDA.
Major developments shaping the markets in 2018 were Operation Olive Branch, the transition to the new presidential system following the June 24 presidential election, the downward revisions in credit ratings of the country and banking sector, the renewed sanctions against Iran, the CBRT's interest rate hike and the announcement of a program to tackle inflation following the announcement of New Economic Program.

Following the 7.4% economic growth in the first quarter of 2018, the turmoil in domestic financial markets in August weakened confidence in the economy and took its toll on consumption and investment demand. As a result, growth came in at 1.8% in the third quarter of the year, contracting by 3% in the final quarter when compared to the same period of a year ago, resulting in a 2.6% annual rate of growth at the end of the year. Gross Domestic Product by the production method increased by 19.1% in 2018 to TL 3,701 billion at current prices.

A YEAR OF HIGHER INFLATION.

The upward movement in oil prices, the 37% increase in the value of the currency basket against the TL, and the high course of food prices led to a dramatic increase in inflation during the year. In December 2018, the Consumer Price Index fell back by 0.40% compared to the previous month, taking the annual rate of CPI inflation to 20.3%, with a 12-month average rate of 16.33%.

In December 2018, the Domestic Producer Price Index fell by 2.22% compared to the previous month, but on an annual basis, the increase stood at 33.64% when compared to the same period of the previous year, with a 12-month average of 27.01%.

EXPORT COVERAGE REACHES 83.8%.

Based on figures provided by the Turkish Statistical Institute, there was a decrease in both the foreign trade deficit and the current account deficit in 2018. By the end of the year, exports had reached USD 168 billion, an increase of 7% YoY. The slowdown in domestic demand and the fall in the value of the Turkish Lira led to a decline in imports, with imports declining by 4.6% YoY to USD 223 billion. Hence, the export coverage ratio increased from 60% in 2017 to 83.8% as of December 2018.

A TIGHT MONETARY POLICY STANCE FROM TURKEY'S CENTRAL BANK IN 2019.

Despite a partial recovery in recent months, the CBRT (Central Bank of the Republic of Turkey) decided to maintain a tight monetary policy stance amid ongoing risks to price stability, until a significant improvement was achieved in the inflation outlook. In the short term, the main factor which could lead to change in monetary policy decisions would be the emergence of a downward trend in the inflation outlook that could be deemed permanent.

The Outlook for the Economy and the Sector

Under the guidance of the New Economic Program announced in September 2018 and in accordance with the soft landing scenario, a consensus that higher quality growth will be achieved in 2019 is beginning to emerge among market players. The balancing in the economy is expected to continue in the first half of the year before a recovery kicks in later in the year thanks to base effect and the contribution of the tourism sector.

GLOBAL CEMENT SECTOR OUTLOOK

Based on estimates published by international sector associations, total production stood at 4.6 billion tons in 2017.

Single-handedly accounting for 52% of global production, China is estimated to have continued to consume more than half of the world's cement in 2018. On the other hand, economic growth in China - which has been deliberately slowed down through government measures -will directly affect the balance of global cement production and consumption.

An analysis of production statistics finds that India is the world's second largest cement producer, followed by the US.

TURKEY RANKS 5TH IN THE GLOBAL LEAGUE.

Construction and infrastructure investments constitute the main areas of consumption for the cement sector. Such investments are usually concentrated in developing countries with rapidly increasing populations.

Global demographic trends, urbanization, the emergence of new super-powers in production, climate change, changes in the cement industry business model and rising energy costs are considered as mega trends that will shape the global outlook the cement industry.

THE LEADING COUNTRY IN THE EUROPEAN CEMENT INDUSTRY.

Turkey is Europe's leading cement producer and ranked in the top 5 in the global league. According to figures provided by the Turkish Cement Manufacturers' Association (TÇMB), 54 integrated cement plants (51 of which are members of the TÇMB) and 18 grinding facilities (15 of which are members of the TÇMB) are operating in Turkey.

The Turkish cement market, where cement production and sales are directly correlated to economic growth, has a competitive structure, and continues to contribute to the Turkish economy with a strong export performance.

According to figures published by the TÇMB in 2018, the total cement production capacity of the cement plants in Turkey stands at 90 million tons/year.

Based on the TÇMB's findings, cement production in Turkey between January and December 2018 declined by 9.94% compared to the previous year, to materialize at 75.5 million tons.

While the volume of cement sold to the domestic market reached 64.4 million tons, with a decline of 10.89%, the surplus of capacity over the level of domestic demand was exported. Cement exports reached 7.5 million tons between January-December 2018. Total clinker production maintained its 2017 level at 70.3 million tons in 2018, while in the same period, clinker exports increased by 18.68% to 5.9 million tons.

The US, Syria, Israel, Colombia, and Western African countries appear to command the lion's share in terms of the composition of exports.
An analysis of sales in the domestic market in 2018 finds that the Aegean region was the only region to realize an increase in sales.

Based on estimates published by international sector associations, total production stood at 4.6 billion tons in 2017.

Growth Expectation

2-3%

The TÇMB expects the cement sector to grow by 2-3% in 2019.

The sector started 2019 with a strong performance, with Turkey's total cement export volumes more than doubling and increasing by 85% YoY in value terms in January 2019, according to figures announced by the TÇMB during the press meeting held in February 2019.

The TÇMB expects the cement sector to grow by between 2-3%, in line with the projection of 2.7% economic growth for 2019 as set out in the New Economic Program. Having declined by 2.4% in 2018, housing sales are expected to rebound in 2019, with the construction sector expected to recover in the third and fourth quarter of 2019.

THE TURKISH CEMENT INDSUTRY SUPPORTS THE ZERO WASTE PROJECT.

Around 800,000 tons of non-recyclable industrial waste are disposed of in cement factories each year in Turkey, significantly contributing to the efforts to protect the environment.

Using waste-derived fuels in the cement sector does away with the need to import around 3 million tons of coal, contributing USD 300 million to the current account balance. Efforts to further develop this method are expected to reduce the amount of stored waste by up to 60%.

Changing the public procurement legislation and providing municipalities with the opportunity to secure long term (40-50 years) contracts will serve as an important step in increasing the cement sector's contribution in the disposal of wastes.

Risks, Opportunities and Çimsa's Approach

Taking value drivers into consideration, Çimsa has determined the six topics mentioned below as risk factors that have or may have an influence on Çimsa's activities at different levels in 2018.

In order the minimize the possible impacts of these risk factors on the company's operations, Çimsa has elaborated and implemented elimination policies and act ion plans for each risk category.

RISKS

Definition of Risk	Çimsa's Approach	Relevant Value Creation Factor
Exchange rate volatility	Effective use of monetary market tools	
Turkey is a net energy importer and is procuring the majority of its energy supply with foreign currency. The cement industry is a business line which depends on high levels of energy. The industry is affected by the impact of exchange rate volatility on energy and electricity prices, which are the main inputs for the sector. The negative impact of exchange rate volatility is also seen on the cost of machinery, equipment and engineering/maintenance services purchased from abroad. In short, exchange rate volatility affects product costs.	A Sabancı Group company, Çimsa has been in close contact with all banks and financial institutions both within and outside the Group and has effectively used by-products such as forward contracts and swap contracts throughout the year. In the scope of this collaboration, trends in exchange rates and global conditions have been closely monitored. Opportunities presented by monetary markets have been evaluated in a proactive fashion; the negative effects of exchange rate volatility have been managed through the use of monetary market tools, thus keeping the pressure from exchange rate volatility on costs to a minimum. Çimsa's strong export performance and balanced revenue structure play a key role in eliminating the potential negative impacts of exchange rate volatility on the Company's financial health.	Economic Performance

GRI 102-15

Definition of Risk	Çimsa's Approach	Relevant value creation factor
Volatility in commodity prices	Continuous improvement in purchasing and logistics competence, and operational excellence	
The recovery in the global economy and increase in demand on a global scale have led to a rise in raw material prices. On the other hand, prices of inputs such as fuel, spare parts used in the maintenance of machinery and equipment have a tendency to rise in parallel with market conditions and increased demand. These changes influence product costs and, indirectly, competitive conditions.	Backed by its team of experts, skilled in the areas of purchase and logistics, Çimsa is able to neutralize this change taking place in the market. In addition to the suppliers who are active in the global and national markets, movements in input prices are also monitored at first hand and relevant necessary actions are taken. In order to manage changing fuel expenditures, Çimsa ensures cooperation between the various functions. As well as managing the purchase prices of existing fuels, the company carries out adaptations to integrate other national and international-generated fuels into its processes. The company focuses on the purchase of raw materials, equipment and technical services from a vast pool of suppliers, working to the principle of cost efficiency. In addition, Çimsa also enhances its operational excellence on a continuous basis with a wide array of projects and digitalization activities.	Economic Performance
Fluctuations in interest rates in global and domestic markets	Management of interest rate risks in a proactive and cost-oriented fashion	
Volatility in interest rate in global and national markets result in risks related to the debts taken on by the company for purposes such as investment.	Çimsa is closely following interest trends nationally and globally and focuses on the management of interest rate risks in the most appropriate conditions. In this framework, the company has closely collaborated with banks and financial institutions both nationally and internationally and deployed its Eximbank loans to the best advantage by using its advantage of being an exporter. Preferential TRY-cost loans have been provided by building foreign banks' SWAP structures in different foreign exchanges.	Economic Performance

GRI 102-15

Risks, Opportunities and Çimsa's Approach

Definition of Risk	Çimsa's Approach	Relevant Value Creation Factor
Domestic and foreign competition conditions	A wide product mix and flexible marketing approach	
The total cement production capacity in Turkey exceeds the demand in the domestic market. Despite this, new plant and capacity-increasing investments are continuing. This results in fiercely competitive conditions for producers. On the other hand, this incentivizes Turkish cement producers to operate in export markets where they can compete on a level playing field with global competitors.	Çimsa is a global producer in grey and white cement. The diversity of its product range serves to strengthen its presence in both domestic and foreign markets. Çimsa's diversified product range offers it the opportunity to quickly overcome any possible constriction in a given segment.	Economic Performance New Product and New Market Development Through R&D and Innovation
New legislative conditions	The objective of developing leading applications in the areas of the environment and OHS	
New environmental and OHS legislation and regulations were recently introduced in Turkey with the aim of harmonizing the cement industry with international environmental and labor standards. These new legal standards require cement producers to undertake new investments in the areas of environment and OHS as well as new training programs for staff in order to meet the new legal regulations.	Çimsa is focused on leading practices in terms of the environment and OHS. The company is constantly following legal requirements, implementing relevant investments accordingly and supporting its human resources with training and development activities that are in line with the new regulations.	Energy Efficiency Creation of Economic Value Through Environmentally-Friendly Investments Human Development
Occupational Health and Safety (OHS)	The goal of operating in accordance with international OHS standards	
According to the legislation, the cement industry is deemed to be in the "very dangerous" category. Construction and mechanical installation operations conducted during cement production and relevant investments are deemed to be high risk operations. On the other hand, because of the negative results they may cause to the industry in the long run, health risks are also considered as risk components.	In cooperation with its highly specialized OHS Team and various professional partners, Çimsa is conducting projection projects at international standards to be implemented in all of its plants in the long term, thus enhancing its OHS culture and awareness. OHS ranks near the top of Çimsa's priorities matrix and is considered the common responsibility of all employees.	Human Development Management of risks and opportunities

GRI 102-15

OPPORTUNITIES

Opportunity	Çimsa's Approach
Developments in domestic and foreign demand conditions	Sustainable growth supported by healthy margins
The cement industry has recently served as a driving force of the growth in the Turkish economy. In the same process, government authorities have applied incentives in a bid to revive demand in the real estate sector and have supported many projects. In Turkey, many infra and superstructure investments are also continuing simultaneously. This paves the way for strong and steady progress in demand for cement. Although the domestic market changes periodically and regionally, progress in demand is set to maintain its course. On the other hand, demand for special products in foreign markets - particularly white cement - maintain an increasing trend.	Çimsa has around half a century of know-how and experience under its belt in white cement and specialized products, with a strong R&D presence. As one of Turkey's leading grey cement producers, Çimsa is one of the top three players in the world in the white cement segment. Çimsa has a wealth of expertise in the white cement product group, consolidating its competitive power. The investment carried out in USA will contribute strongly to Çimsa'a power in this field. With its capacity to export to global markets, its strong marketing network and an increasing white cement capacity thanks to recently-implemented investments, the Company is focused on expanding its activity in the domestic market as much as in the foreign markets, as well as growing with healthy margins.
CO_2 emission trading system and carbon tax	Operations carried out with company identity that adopts sustainability
The CO_2 Emissions Trading System, or carbon taxation in Turkey, has not yet come into effect. This places cement manufacturers in Turkey in a more competitive position compared to their European counterpart, reflecting advantageously to cement sales prices. Due to the Emission Trading System or tax, European manufacturers reflect the additional costs to their sales prices.	With its identity as a manufacturer which has adopted sustainability as a principle and accepted preservation of the environment and natural sources as a permanent objective, Çimsa evaluates business opportunities offered by the markets.

GRI 102-15

05 OUR PERFORMANCE IN 2018

Steady Steps to the Future

In 2018, Çimsa further strengthened its positioning in the domestic market, while maintaining its leading position, particularly in white cement and the specialized products segment in global markets.

Economic Performance

INVESTMENTS IN ESKİŞEHİR AND USA TAKE THE LIMELIGHT AT ÇİMSA IN 2018.

Having completed the Eskişehir Plant modernization project in 2017, the first production line used to produce grey clinker was transformed to produce both grey and white clinker. With the completion of the investment, production of white clinker got underway.

Çimsa started producing grey clinker at the 1st production line of the Eskişehir Plant in May 2018 and has completed the studies to bring the packaging facility into operation by constructing additional cement silos.

Çimsa pressed ahead with its Cimsa Americas investment in 2018. With this investment, which is expected come on stream in the first half of 2019, a white cement grinding facility will be established in Houston, Texas, which will include a stock hall, mill, cement silos, and packaging units capable of storing 50,000 tons of clinker and 7,500 tons of ingredient materials. The facility is planned to have a capacity of 305,000 - 350,000 tons of cement per annum.

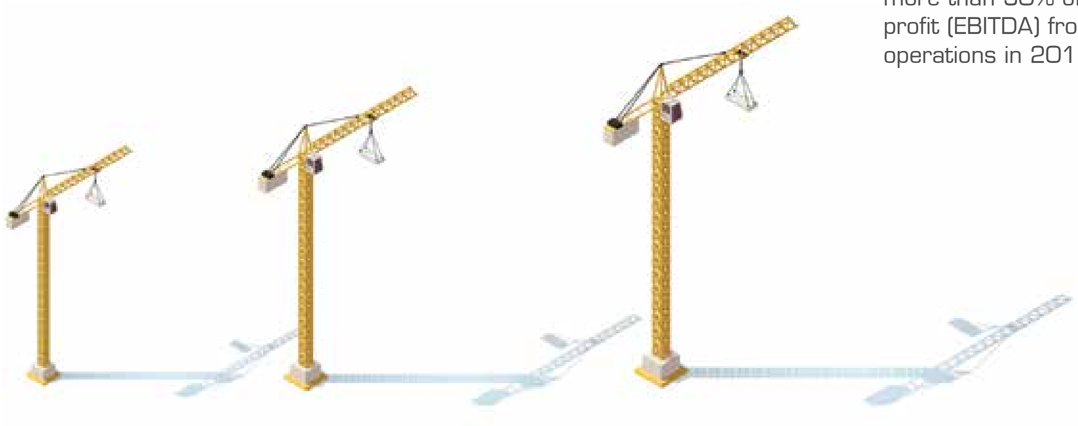
These investments increased Çimsa's net financial debt position to TL 1.263 billion while its net financial debt/EBITDA ratio reached 3.2. Çimsa's EBITDA grew by 1% in 2018, but due to the increased indebtedness, increased amortization costs on the back of investments coming on stream and increased financial expenses of non-capitalized investments, Çimsa's net profit came in at TL 155 million, TL 73 million lower than in the previous year.

In 2019, Çimsa aims to increase its cash flow on the back of its completed investments, thus reducing its debt position.

ANOTHER YEAR IN WHICH ÇIMSA WAS A GLOBAL PLAYER IN THE SECTOR.

As an innovative company of the Turkish cement sector, Çimsa's sales revenues reached TL 1,700 million in 2018, marking an increase of 14% YoY.

Maintaining its position as a global player in its sector, Çimsa commanded a strong export performance in 2018, improving its export channels. Accordingly, the company generated TL 870 million in exports in 2018 and secured more than 50% of its operating profit (EBITDA) from international operations in 2018.



GRI 201-1

Çimsa's sales revenues reached TL 1,700 million in 2018, implying an increase of 14% YoY.

THE VALUE WE PRODUCE

Increase in Exports
Contribution to the Turkish economy through exports

8 DECENT WORK AND ECONOMIC GROWTH

RELATED STAKEHOLDERS

WORKING CAPITAL MANAGEMENT AT ÇİMSA

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

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

With the contribution of effective management, the rate of Çimsa's receivables which became bad debt recoveries in the company's total trade receivables remained low, at less than 4%, in 2017.

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

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

Proactive cost management

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

Another important cost factor concerns raw materials purchases, and Çimsa is focused on evaluating the most suitable raw material mines for production.

ÇİMSA'S TREASURY POLICY

Çimsa's decisions on borrowing and deposits are based on cash flow projections covering a period of at least 9 months and at most 12 months. While preparing cash flow projections, Çimsa closely monitors the following assumptions and internalizes them in its decisions;

» Macroeconomic assumptions,
» Sales and production quantity projections, which are reviewed at the beginning of each month,
» Projections of sales prices and maturity days, which are reviewed at the beginning of each month,
» Purchase price and maturity estimates,
» Investment expenditure assumptions,
» Main assumptions that will affect the results of operations from other segments that are deemed necessary.

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

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

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

GRI 201-1

Investments

Focusing on growth by creating long term value, Çimsa is consolidating its leadership in the sector with its investments.

INVESTMENTS THAT HAVE BEEN REALISED WITHIN THE SCOPE OF ÇİMSA'S STRATEGIC GOALS;

The goals are;

- Further consolidating the company's strong position in the cement sector,
- Achieving sustainable growth and profitability through energy efficiency,
- Meeting the changing needs of customers and employees in evolving global and domestic market conditions,
- Improving its product and service range.

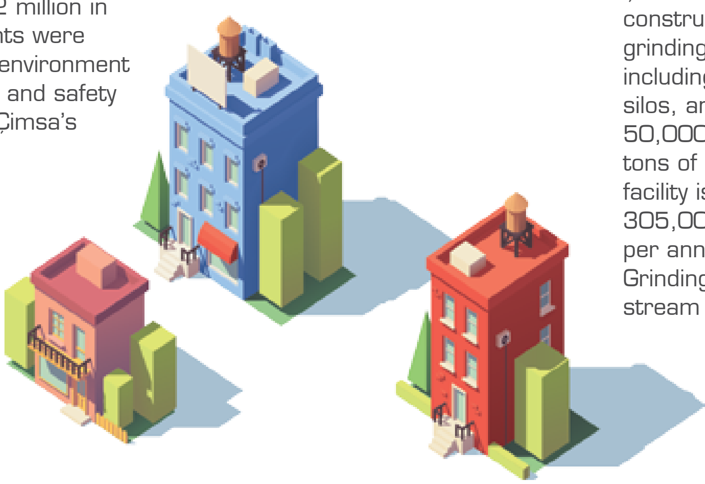
USD 20.2 MILLION OF INVESTMENTS UNDERTAKEN IN 2018.

Determining its investmentneeds meticulously in reaching its strategic goals, Çimsa realized a total investment of USD 20.2 million in 2018. These investments were spent on sustainability, environment and occupational health and safety projects carried out at Çimsa's facilities.

1st PRODUCTION LINE CLINKER AND CEMENT PRODUCTION LINE AT ESKİŞEHİR PLANT, ADDITIONAL FACILITIES

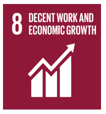
The Eskişehir Plant's modernization project was completed in 2018.

The 1st line of the Eskişehir Plant which used to produce only grey clinker and cement, was transformed into a design to produce both grey and white clinker and cement. The plant started to produce white clinker and cement in January 2018, and grey clinker and cement in May 2018. Moreover, additional cement silos were constructed and work was completed to bring the packaging facility into operation.



THE VALUE WE PRODUCE

USD 20,2 million
Contribution to the economy by investments



RELATED STAKEHOLDERS

ESKİŞEHİR COHERENCE LINE

The existing line for the shipment of manufactured products at the Eskişehir Plant was renewed and an additional railway line was constructed.

USD 0.6 MILLION INVESTED IN READY-MIXED CONCRETE FACILITIES

Çimsa also pursued its investments in ready-mixed concrete facilities in 2018. In this context, a total of USD 0.6 million was invested in ready-mixed concrete facilities.

EXPECTATIONS FOR 2019

CIMSA AMERICAS

Çimsa has continued work on the construction of a white cement grinding facility in Houston, Texas, including a stock hall, mill, cement silos, and packaging units to store 50,000 tons of clinker and 7,500 tons of ingredient materials. The facility is planned to have a capacity of 305,000 - 350,000 tons of cement per annum. The White Cement Grinding Facility is expected come on-stream in the first half of 2019.

R&D and Innovation

THE VALUE WE PRODUCE

TL 4.1 million
Contribution to the company and our sector through R&D investments

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

RELATED STAKEHOLDERS

As one of the leading companies in the cement industry which is investing continuously in innovation, Çimsa opened the cement industry's first R&D Center in Turkey back in 2000.

ÇIMSA'S CEMENT RESEARCH AND APPLICATION CENTER

With the first and only cement research and application center in Turkey to be certified by the Ministry of Science, Industry & Technology, R&D and innovation have become indispensable parts of the company culture at Çimsa.

Working to the target of developing special products with high profitability and to offer them to the market, or to further develop existing products, Çimsa's Cement R&D and Application Center works on a project basis structure.

At the Center, projects are carried out to increase productivity in all processes from raw materials to final products with the specialized and well-qualified R&D personnel which are supported on a project basis by the technical personnel working in other functions. At the same time, the R&D Center works to the objective of becoming a solution partner for its customers with the innovative support provided for the applications of Çimsa products.

As well as the competencies offered by the Construction Chemicals Laboratory, the Concrete Laboratory, the Grinding Process and Chemicals Laboratory, the New Product Synthesis Laboratory and the Mechanical Laboratory, the Çimsa Research and Application Center continues to serve the cement and concrete industries by developing advanced analysis methods. These advanced analytical tools include Rietveld Analysis with an X-Ray Diffractometer, XRF oxide composition analysis, polarized microscope examinations and Fourier Transform Infrared Spectrophotometer (FT-IR) examinations.

R&D article and patent sharing presentations have been carried out regularly every month, with open participation at all Çimsa locations. The presentations, which include trends, new products and technological developments, are aimed at sharing up-to-date information with employees in order to improve the technical literature level of Çimsa employees.

R&D ACHIEVEMENTS AND SUCCESSES IN 2018

In addition to new product development activities, Raw Material Processes, Clinker Processes and Cement Processes are examined under different headings at the R&D Center. A process report extending to over 500 pages was prepared in 2018 and could be accessed on the Çimsa joint common portal.

R&D and Innovation

In order to institutionalize information, the R&D Center tab was added to the corporate intranet system - Çimsa Point - where all users could access the studies. A systematic process was put in place where users could request subjects to be researched in the R&D center through the portal.

R&D AND INNOVATION PROJECTS IN 2018

Work on the Horizon 2020 European Union Project for the Advanced Material and Process Development to Increase Geothermal Systems' Underground Thermal Stocking and Cost Efficiency started in May 2017.

In the framework of the project, 100% funded by the European Union, studies for carrying out flexible, environmentally sensitive, fluid mortar design with high thermal conductivity were initiated jointly with our partner, Sabancı University. With this project, which will last 42 months, Çimsa's R&D Center will have completed its first Horizon project.

Within the context of Horizon 2020, an application was placed for the ICEBERG project, which aims to create innovative, circular economy solutions for the use of end-of-life building materials. If the application for this project is accepted, Çimsa's responsibility will be to develop and produce pilot Portland Cement with the CSA.

Within the context of Horizon 2020 - Era-net an application was placed for the FlexCCS project in a consortium, where studies will be carried out to develop retention and disposal. methods for CO_2.

The 2nd round project proposal was given for the project for quick repair methods of runways, to be developed for the Defense Industry Undersecretariat Air Force within the scope of the TUBITAK 1007 Public Institutions Research and Development Projects Support Program.

Number of New Projects

6

Six new projects were launched in February 2018.

Having been initiated in 2017, six projects, which were approved by the Republic of Turkey Ministry of Industry and Technology, were successfully completed in January 2018. Six new projects were launched in February 2018. Summary information on these projects is summarized below:

Inovacem
Studies were carried out for the product, which brings the features of hardening and binding through being cured with carbon dioxide in order to reduce carbon dioxide emissions.

Pool +
Featuring water isolation, a white cement based pool plaster has been developed with colored natural aggregates, recycling glass aggregates and colored glass pebbles designs.

Rapcure
To reduce the total amount of cement consumption in the gas concrete sector and increase capacity in the production process, studies were conducted to locate special product Inspira in the gas concrete sector.

UpCem
This project was carried out to analyze and improve the production process of grey cement in the Mersin Plant in order to obtain more added value products for the ready-mixed concrete sector. Work on the project will continue in 2019 as well.

BeySade
Structurally exposed white concrete with heat insulation properties has been developed with different lightweight aggregates.

Duro
This product provides purification specific for the iron and steel sector. Having completed the commercialization phase, the product is now in the sale process.

Rego
A synthetic aggregate resistant to chemical wastes and temperature extremes, which has been developed and adapted to the concrete system.

THE VALUE WE PRODUCE

R&D and Innovation Projects
Multi-faceted contribution to our sector, employees and consumers

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

RELATED STAKEHOLDERS

COLLABORATIONS BETWEEN INDUSTRY AND ACADEMIA

The Civil Engineering Department of Middle Eastern Technical University provides literature and laboratory assistance to Çimsa within the scope of a consultancy agreement for work on special products. Furthermore, requests from universities throughout the country are responded to and an exchange of information takes place. In addition, Çimsa provides sample support free of charge for Master's degree students carrying out their thesis, with its special products.

A Cement Technologies and Applications Course has been provided by employees at the Çimsa R&D Center at Sabancı University since 2016, where students can learn about innovations and applications in the cement industry.

INTELLECTUAL PROPERTY RIGHTS

Three beneficial model applications were made in 2018:

- High Performance Hydraulic Binder For Construction Chemical Applications
- Hydraulic Binding Substance with High Reactivity
- High Shelf Life Hydraulic Binder with a High Alumina Ratio

CUSTOMER SATISFACTION AND PRODUCT RESPONSIBILITY

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

Çimsa aims to establish sincere and trusting communication with customers by maintaining its relationships through a range of different channels.

Çimsa undertakes extensive activities to ensure and improve customer satisfaction such as joint R&D studies, technical assistance both before the sale and on an after-sales basis, activities involving craftsmen, a Building Chemicals Seminar, which is organized every year, technical bulletins and social activities in addition to periodical visits carried out by the field teams.

Çimsa's product responsibility
Producing highly reliable and excellent products in line with local and international standards to meet customer needs, and to ensure constant customer satisfaction, forms the basis of Çimsa's product responsibility understanding.

An indispensable element of product responsibility is to provide detailed information on the products to customers and end users. To ensure that, Çimsa conducts product information activities and provides training programs aimed at customers and end users, to provide the necessary information.
All Çimsa products contain a Material Safety Information Form (MSDS) prepared in accordance with the norms laid out in the regulations, and these are shared with each customer.

Tags containing information on products are located on the packaging of bagged products. No illegalities with respect to the labelling of Çimsa products were found; there has been no noncompliance issues with regulations as regards the marketing conditions of products, and no penalties or sanctions were imposed.

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

GRI 102-44

R&D and Innovation

CUSTOMER TECHNICAL ASSISTANCE ACTIVITIES IN 2018

In order to maintain customer satisfaction in the after-sales process and improve customer loyalty, Çimsa offers high added value technical assistance to its domestic and foreign customers through Customer Technical Assistance Unit.

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

In 2018, the Customer Technical Assistance Unit carried out more than 100 customer visits in 7 regions in Turkey. Technical assistance and market development activities were carried out on a global scale in the US, Australia, South Africa, the UK, Germany, Israel, Qatar, Belgium, France, Italy and Spain.

In order to evaluate customer feedback and offer solution-oriented results, meetings continued to be held on a regular basis with the Quality, Sales and Operation teams, with comprehensive solutions provided and reporting carried out.

White cement and calcium aluminate cements, which are developed under a segment-oriented approach, were brought into the customer processes, with final product studies concluded which would be in line with customer needs and reporting was carried out. Support activities were conducted for the technical documentation and application brochures for the newly developed products.

More than 500 customers received remote technical assistance in 2018, with 35 Customer joint projects conducted.

THE 4TH ÇIMSA BUILDING CHEMICALS SEMINAR

The 4th Construction Chemicals Seminar was held under the leadership of Çimsa Formülhane at the Sabancı Center on September 18, 2018.

During the seminar, some of the industry's leading local and international academics provided information on technical developments and innovative applications in construction chemicals products.

In 2018, more than 100 customer visits were conducted by the Customer Technical Assistance Unit in seven regions throughout Turkey.

Corporate Development and Human Resources

Çimsa's Human Resources vision is "to create a high performance culture", while its mission is "to ensure organizational change and development".

HUMAN RESOURCES WHICH FIT ÇIMSA'S ENTREPRENEURIAL, INNOVATIVE AND PIONEERING STRUCTURE.

Çimsa human resources vision is "to create a high performance culture", while its mission is "to ensure organizational change and development". Its human resources activities are conducted within the framework of this vision.

Çimsa's goal in terms of human resources is to ensure the continuation of a fair and egalitarian workplace where employee rights are protected, which hones their talents, where there is no discrimination, which provides equal opportunities to both men and women and where the best standards are applied in terms of occupational health and safety.

Çimsa focuses on increasing the leadership qualities, knowledge and the skills of its employees at all levels; regularly measuring the organizational environment and establishing organizational and human resources infrastructure which will support the company's strategies in terms of human resources practices.

DESIGNING TRAINING AND DEVELOPMENT PROGRAMS WITH AN APPROACH TO IMPROVE THE COMPETENCIES OF ÇİMSA'S HUMAN RESOURCES.

Çimsa runs several internal training and education programs aimed at enhancing and increasing the capabilities and skills of its employees. These programs are designed by taking into account the needs of employees within the framework of predetermined principles and policies.

The training and education programs are designed for Çimsa and are tailor-made for all employees within Çimsa. Furthermore, Çimsa employees which offer high potential are also able to benefit from the annual Sabancı Holding development programs.

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

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

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

Training programs provided in 2018;
White collar employees 9,402 man hours of training
Blue collar employees 31,126 man hours of training
In total 40,529 man hours of training

While a total of 26,512 man hours of training were offered in the area of Occupational Health and safety, the amount of OHS training per person was 24 hours.

By thoroughly designing employee need-oriented development programs to support the future organization, Çimsa collaborates with the best domestic and international companies in the preparation of the training programs.

A total of 19 managers graduated from Çimsa's Leader Development Program in 2018.

Corporate Development and Human Resources

Çimsa became a member of the Global Apprenticeship Network (GAN) in 2015.

THE VALUE WE PRODUCE

40.529 manxhour training
WEPs

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

RELATED STAKEHOLDERS

Initiated in 2018 with the motto of "Liderlik Harcımızda Var" (we have leadership in us), Çimsa's Leader Development Program aims to improve the effective leadership competencies and abilities of employees serving in managerial positions. Implemented for the first time, 19 managers were graduated from the program which consists of Flow Leadership, Constructive Leadership, Change Leadership, Coaching Leader and Strategic Leader modules.

THE ÇİMSA CAREER KITCHEN

Developed in cooperation with the Manager Development Unit at Sabancı University, training programs are developed in the Çimsa Career Kitchen with a wide range of content including training on human management processes, motivation and engagement, communication with a deeper dimension, professional image, the competitive perspective, strategic thinking models, business law processes and financial value orientation.

THE NEW ÇİMSA EMPLOYEES DEVELOPMENT PROGRAM

Aiming to create employment opportunities for young college graduates, Çimsa carries out Fresh Graduate Recruitment Projects. With the aim of ensuring a high and sustainable level of efficiency in the workplace, specialization opportunities are offered to new graduates who have just started working for Çimsa, to optimize their work in their chosen area.

A ÇİMSA CLASSIC - THE POLE STAR PROGRAM

Çimsa initiated "The Pole Star" program in order to support the newly hired employees in their first weeks. The program offers an effective guidance service to newcomers to the company so that they can quickly adapt to the company culture and their new jobs, access the information they need in an accurate and effective way and to fully acquant them with the company organization. Another aspect of the Pole Star program is that it offers volunteers among company employees the opportunity to provide support in all areas to newcomers to the company during their orientation period.

THE PROCESS IMPROVEMENT ENGINEERING DEVELOPMENT PROGRAM

Once new graduates are recruited at Çimsa, the engineers who will be trained on technical subjects such as cement production, maintenance, quality and the environment undergo training in the New Çimsa Employee Program and "The Process Improvement Engineering Development Program" to learn about the cement process in its entirety.

GLOBAL APPRENTICESHIP NETWORK (GAN)

Çimsa became a member of the Global Apprenticeship Network (GAN) in 2015.

Founded in 2013, the GAN is an initiative supported by the International Labour Organization (ILO). The GAN encourages youth participation in the business world to increase their skills and recruitment, especially through on-the-job training opportunities.

Çimsa carries out trainee programs that are included in the GAN undertakings. While implementing internship programs, Çimsa aims to train a qualified workforce for the company, supporting local employment, providing sectorial professional experience and work experience and increasing the rate of employment in this field.

In the scope of this program, job opportunities are offered to candidates who have had professional training and who are certified and competent, but who have not yet had any work experience.

PERSONAL PERFORMANCE MANAGEMENT SYSTEM

White collar employees are evaluated in the framework of the individual performance management system at Çimsa.

Every year, Organizational Success Plans are prepared for employees for engineering, specialist or higher level posts and back-up plans are set up. Personal development plans are also prepared and tracked for other employees.

GRI 103-1, 103-2, 103-3, 404-1, 404-2, 404-3

The Happy Employee Experience at Çimsa

Çimsa aims to reduce the environmental impact of its production processes through measures such as energy savings, waste reduction, reuse and recycling, limiting or eliminating harmful chemicals.

Çimsa runs several internal training and education programs aimed at enhancing and increasing the capabilities and skills of its employees.

Corporate Development and Human Resources

A performance assessment system is also applied for blue collar employees. All white collar and blue collar Çimsa employees were subject to performance assessment carried out at the end of the 2018 reporting period.

Human resources management, business ethics, coordination of human resources processes, and the protection and promotion of human rights in the workplace are key components of Çimsa's business culture.

With a business culture that has preserving and upholding human rights in the workplace at its heart, Çimsa resolutely endorses the provisions of the UN Global Impact which it ratified, the relevant ILO declarations and the Universal Declaration of Human Rights.

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

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

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

2018 Female Employment

23

23 female employees were hired in the company in 2018.

Proportion of Women

7%

The ratio of women in Çimsa's Executive Board stood at 7%.

Çimsa encourages the employment of women in business and supports female participation in management.

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

RESPECT FOR THE RIGHTS OF COLLECTIVE LABOR AGREEMENTS AND ASSOCIATION.

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

A total of 660 blue collar Çimsa employees were within the scope of the collective agreement at the end of 2018.

The syndication membership rate among all employees stands at 58%. Relationships based on trust and dialogue are established with the syndicates in order to maintain a peaceful workplace environment, and syndication issues are managed effectively without dispute.

"EQUALITY AT WORK"

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

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

Çimsa encourages the employment of women in business and supports their participation in the management.

GRI 102-8, 103-1, 103-2, 103-3, 404-1, 404-2, 404-3

Çimsa joined the "Global Compact Turkey Women Empowerment Work Group" in 2015.

A total of 23 women were hired by the company in 2018.

The ratio of women in Çimsa's Executive Board members stands at 7%.

Çimsa believes that its suppliers and subcontractors should also increase the recruitment of women in their operations. In this context, the Equality At Work commitments and relevant provisions have also been included in the supplier and subcontractor service purchase agreements since 2014.

PROUD TO BE COMMITTED TO WOMEN EMPOWERMENT PRINCIPLES (WEP)

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

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

Çimsa became one of the 53 Turkish companies to sign the WEPs among more than 1,100 companies joining worldwide. Despite operating in a sector with few female employees and where there are limits to the recruitment of women, thanks to its supportive practices Çimsa has been able to set an example for industrial institutions and other sectors where the majority of employees are men.

EFFICIENT COMMUNICATION THROUGHOUT THE ORGANIZATION

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

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

Field Human Resources model; With this model, regular meetings are held every week with employees in their working environments and their questions are answered. Meanwhile, this model is also used as a tool to get together with employees during various events such as meetings, training programs and seminars. Field employees come together in groups at the breakfast events organized by the Field Human Resources team on a regular basis.

The Pigeon Post, Çimsa Family Magazine and Çimsapoint intranet pages and communication boards are platforms used to inform employees of developments concerning the company.

The Flexible Benefits Program, which was put into effect in 2015 and which aims to address the changing needs of employees and give them freedom of selection, was also continued in 2018.

THE IDEA FABRIC

Çimsa places importance on employees' suggestions and focuses on development.

The Idea Fabric suggestions system is a system through which Çimsa employees are able to convey creative ideas and thoughts they might have on the company's activities and which support their participation in development activities.
Çimsa's Suggestions System, with its brand name of "Idea Fabric", is the system through which all suggestions from employees concerning innovation, development and improvement on topics such as OHS, customer service, quality and efficiency are collected, evaluated, rewarded and implemented.

The ideas which are accepted and implemented receive a score based on the criteria of innovation and originality, expansion, contribution and economic return.

GRI 103-1, 103-2, 103-3, 404-1, 404-2, 404-3

Corporate Development and Human Resources

Number of Suggestions

259

A total of 259 suggestions made to the Idea Fabric in 2018.

Çimsa's goal is to review the Idea Fabric process in light of employee feedback and to ensure its continued dynamism. To that end, periodical Idea Campaign applications are also carried out in order to gather feedback from employees on certain subjects.

A total of 259 suggestions were submitted to the Idea Fabric in 2018.

THE LEARNING ORGANIZATION AND ITS ACHIEVEMENTS IN 2018

The Learning Organization Application Team programs at Çimsa aim to bring permanent solutions to problems with a holistic perspective while strengthening team collaboration and team spirit.

During the Learning Organization activities, teams consisting of employees from different work levels collaborate on projects which will improve business processes. The teams carry out their activities in line with the principles described in the Five Disciplines of the Learning Organization philosophy.

The 2018 activities of the Learning Organization Teams are outlined in this section.

3S1'İZ TAKIMI

Niğde Learning Organization Team 3S1'İZ; Without compromising on OHS rules and environmental sensitivity, the team achieved 100% success in reaching the vision of establishing, implementing and ensuring the sustainability of the 3S systematic in the cement mill. A total of 5,106 m^2 was painted in the 'There Is Painting At the Neighbour' event.

3S-ES TAKIMI

Eskişehir Learning Organization Team 3S-ES; The 3S systematic was planned and implemented in the field and became a role model for other facilities at the field from the 2nd Facility Raw Meal Mill feeding bands up until the Clinker Transportation Line.

ÇİMENTONUN SESİ

Kayseri Continuous Team VOICE OF CEMENT; All risks at the Goods Division were analyzed through the L Type Matrix. As a result of the study, all high-level risks identified with a risk score of 15 or higher were reduced to a acceptable level, ensuring continuity.

DÖNÜŞÜM ETKİSİ TAKIMI

Adana-Mersin Ready-Mixed Concrete Learning Organization Team CONVERSION EFFECT; The team ensured the use of 100% of the waste water produced in the Yenihal Ready-Mixed Concrete Plant as recycling water. The amounts of recycled water could then be reported and recorded.

Programs with a holistic perspective strengthening team collaboration and team spirit.

GRI 103-1, 103-2, 103-3, 404-1, 404-2, 404-3

Kayseri Learning Organization Team BLUE FLAMA; all work within the rotary kiln revision plan was exposed to risk analysis through the L Type Matrix. The study identified 1,370 risks, while 63 of the 67 risks found to have a score of 15 or above were reduced to an acceptable level and measures were implemented during the revision period.

Mersin Learning Organization Team COMPASS; The 3S systematic was applied on a 100% basis at the number 1 and 2 Cement Mills and the Grey Packaging area, with implementation of case studies for other departments. With the 3S substances integrated in the mobile checklist, instant notifications were carried out and the faults were eliminated more rapidly.

Afyon Learning Organization Team WIND; The team ensured the implementation and sustainability of the 3S systematic at the Refractor and Homogenization Region, and furthermore ensured that all

employees adopted the “My Field” philosophy all employees.

Corporate Development and Human Resources

Çimsa became one of the 53 Turkish companies to sign the WEPs among more than 1,100 companies joining worldwide.

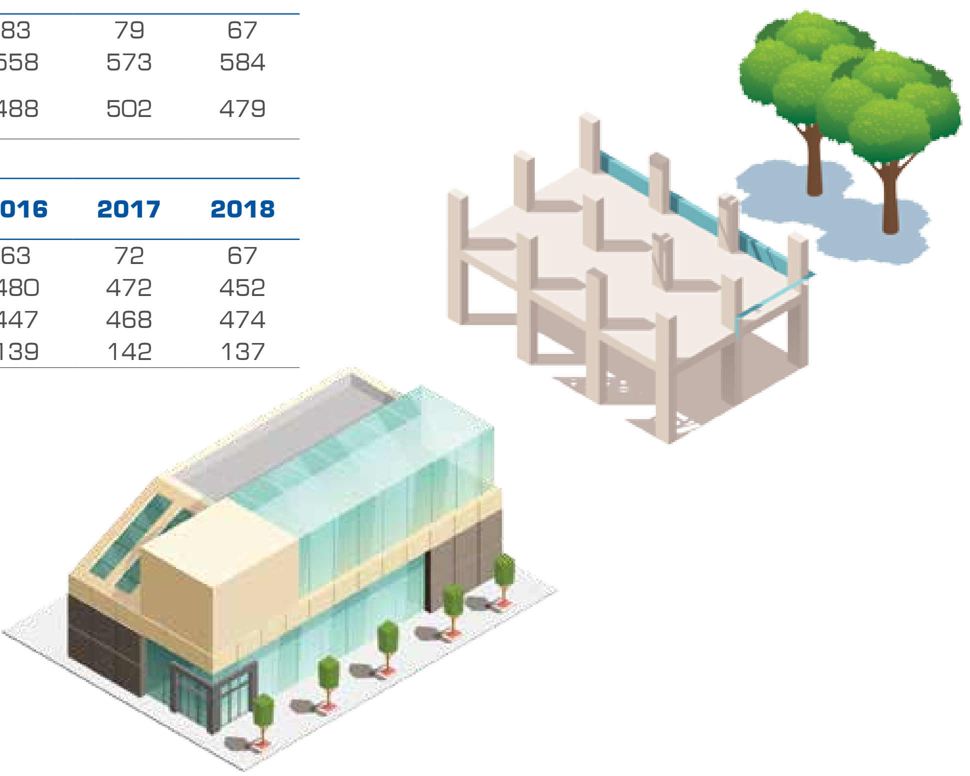
HUMAN RESOURCES

Total workforce (persons)	2016			2017			2018		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Direct placement	58	1,071	1,129	58	1,096	1,154	68	1,062	1,130
Contracted Company Employees	60	1,239	1,299	75	1,442	1,517	64	1,072	1,136
Total	118	2,310	2,428	133	2,538	2,671	132	2,134	2,266

Total Workforce as per Category (persons)	2016			2017			2018		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Blue Collar	-	644	644	-	671	671	-	660	660
White Collar	58	427	485	58	425	483	68	402	470
Total	58	1,071	1,129	58	1,096	1,154	68	1,062	1,130

Total Workforce by Education (person)	2016	2017	2018
Primary School	83	79	67
High School	558	573	584
University Degree and Above	488	502	479

Total Workforce by Age Group (person)	2016	2017	2018
18-25	63	72	67
26-35	480	472	452
36-45	447	468	474
46 and above	139	142	137



GRI 103-1, 103-2, 103-3, 404-1, 404-2, 404-3, 405-1

Occupational Health and Safety

A total of 26,512 worker-hours of training were provided in Occupational Health and Safety in 2018.

THE VALUE WE PRODUCE

26.512 hour OHS training
Contribution to employees

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

RELATED STAKEHOLDERS

Aware that its most valuable asset is its employees; Çimsa's unwavering objective is to keep anticipated risks under control in terms of Occupational Health and Safety, and to ensure that Çimsa's employees return home every day "without being exposed to any accidents".

Çimsa operates in an industry where cement production is classified as "very dangerous", and ready-mixed concrete operations as "dangerous". In this perspective, Çimsa, closely follows the legal regulations set by international standards as well as the legal regulations on Occupational Health and Safety set out in Law No. 6331 issued by the Turkish Ministry of Labour and Social Security.

In the area of OHS, Çimsa implements policies to ensure that;

- The main employer and subcontractor employees are informed,
- Amendments in legislation are shared with the organization though effective communication,
- OHS metrics are always included in the company and employee goals,
- Audit, near-miss reporting and nonconformity amount values are accepted as key performance indicators,
- OHS is internalized such that it becomes part of the corporate culture with regular reporting practices.

THE OHS STRUCTURE AT ÇİMSA

At Çimsa, the operational responsibility of OHS management is assumed by the senior management. In this framework, all activities aimed at raising awareness of Occupational Health and Safety, all decisions taken and the operational responsibility for the management of Occupational Health and Safety is represented at the highest management level in the company.

OHSC Board Meetings are held on a monthly basis in line with the Job Security Training Program.

OHSAS 18001 IMPLEMENTED IN ALL ÇİMSA FACILITIES.

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

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

OHS targets and performance results are periodically monitored and evaluated in OHS committees as part of the agenda. A total of 132 members serve in six Çimsa OHS committees, 14 of whom are employee representatives.

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

CONTINUOUS TRAINING TO RAISE OHS AWARENESS

One target Çimsa places special priority on is ensuring safety and protecting the heath of its employees, service providers and those visiting the facilities. New practices are developed within this scope to raise the awareness of OHS in all units within the Company, and employees are supported through continuous training programs.

Çimsa organized 26,512 hours of OHS training in 2018 in order to raise knowledge and awareness of Occupational Health and Safety among its employees and subcontracted employees.

GRI 102-11, 103-1, 403-1, 403-2, 403-4

Occupational Health and Safety

CONSTANTLY IMPROVING THE SAFETY OF THE WORKING ENVIRONMENT AND MOVING TOWARDS A "ZERO WORK ACCIDENT" OBJECTIVE.

Çimsa's vision is to reach a "Zero Work Accident" target. The X+5 year target set in 2017 was to reduce the work accident frequency rate to below 3 and the accident severity rate to below 0.15.

Systematic field audits are deemed to be one of the most important tools in reaching this goal. On the other hand, respecting OHS regulations, notifying all kinds of work accidents, risky and near-miss situations have been determined as the primary duties of all employees. Furthermore, annual internal audits, external audits of certification institutions, third party audits, Sabancı Holding external insurance audits and OHS performance are constantly monitored.

Thanks to the systematic activities conducted by Çimsa in the scope of OHS, the rate of accidents has decreased in all of its operation facilities.

Between 1 January - 31 December 2018, a total of 38 work accidents with lost days occurred and 38 employees were reported as victims of such accidents. As a result of accident analysis carried out at Çimsa's facilities, the main causes of the accidents which took place during the cement production processes were as follows;

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

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

AT ÇİMSA, OHS TAKES ON THREE DIMENSIONS - SYSTEM, FIELD AND PEOPLE.

System

At Çimsa, the OHS system is defined as a company strategy in which the identification of risks, supervision and management are all given importance. The OHS Management System, which is developed after identifying proactive development areas, has been supported with training, information, supervision and improvement studies.

Field

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

People

At Çimsa, people are at the core of OHS. Çimsa aims to make its employees aware and cautious of risks at all times with its people-focused approach. Past practices have catalyzed a change of behavior for workers, their families and the whole community with respect to occupational health and safety.

GRI 102-11, 103-1, 403-1, 403-2, 403-4

	Cement Plants	Ready-Mixed Concrete Facilities
Injury Rate		
Çimsa Employees	8.73	3.95
Female	0.00	0.00
Male	9.15	4.04
Contractor Employees	1.74	10.04
Occupational Illness Rate		
Çimsa Employees	5.16	0.00
Female	0.00	0.00
Male	5.41	0.00
Contracted Employees	0.43	0.00
Loss Day Rate		
Çimsa Employees	188.06	355.66
Female	0.00	0.00
Male	197.23	363.74
Contracted Employees	12.59	246.57
Absenteeism Rate		
Çimsa Employees	1,614.75	0.00
Female	980.62	0.00
Male	1,645.70	0.00
Contractor Employees	716.29	0.00
Mortal Injury		
Çimsa Employees	0.00	0.00
Female	0.00	0.00
Male	0.00	0.00
Contractor Employees	0.00	0.00

GRI 102-11, 103-1, 403-1, 403-2, 403-4

Climate and Energy

ÇİMSA CONSOLIDATES ITS CONTRIBUTION TO THE CEMENT INDUSTRY WITH ITS ENERGY RECOVERY STRATEGIES AND POLICIES.

Climate change, which makes its impact felt in many areas, has become one of the most important problems facing the world. The business world has increased its sensitivity to the risks presented by climate change.

In the current period, reducing the consumption of natural resources has been the main focus in tackling climate change. In this context, the cement sector provides energy recovery with Combined Combustion using alternative fuels, which have calorific value, instead of primary fuels (such as coal and petrocoke).

Contributing to the national economy through its energy recovery projects, Çimsa consolidates its contribution to the cement industry with its energy recovery strategies and policies.

In drawing up its strategies and policies, Çimsa also receives support from the entities which it is a member of. The activities carried out within this scope are listed below:

» Support received from sources of technical information through its membership of the Global Cement and Concrete Association.
» Joint studies are carried out with the sector through Environment and Climate Committee membership under the Turkish Cement Manufacturers' Association (TÇMB).
» Through its membership of TÜSİAD, Çimsa contributed to the Attitude Document published by TÜSİAD on Zero Waste.
» Through its membership of the Association of Construction Material Producers (İMSAD), Çimsa contributed to the Sustainability Committee.
» The Climate Change and Water report is published within the context of the Carbon Disclosure Project (CDP).
» The Industrial Symbiosis Applications Presented at the Turkey Material Marketplace Platform of the Business World and Sustainable Development Association.

THE VALUE WE PRODUCE

TL 27.4 million
Contribution climate action through environmental investments

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
15 LIFE ON LAND

RELATED STAKEHOLDERS

WORKING TOWARDS A LOW CARBON FUTURE...

Çimsa is preparing for the low carbon future with its Climate Change Strategy, Alternative Fuel & Raw Materials Strategy and Waste Policy set up within the concept of sustainability activities in 2018.

ÇİMSA'S CLIMATE CHANGE STRATEGY

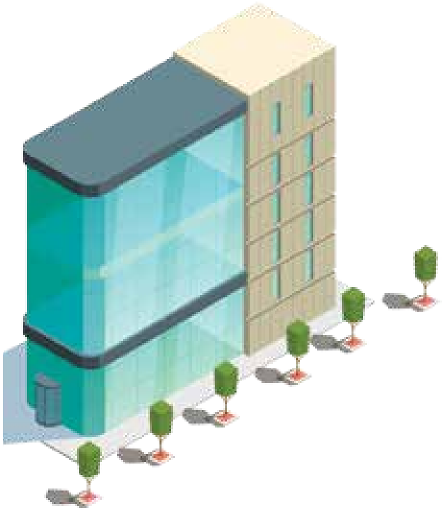
Çimsa's climate change strategy is to perform annual greenhouse gas emission calculations in accordance with greenhouse gas inventory studies, to designate goals for future projections and to develop solution methods to reduce emissions.

The list of measures to carry out to achieve this goal is as follows;
» To follow production processes with energy efficiency measurements,
» To improve process efficiency,
» To increase the cement content ratio,
» To use alternative energy resources.

ÇİMSA'S ALTERNATIVE FUEL & RAW MATERIAL STRATEGY

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

In order to achieve alternative fuel targets, the Company undertakes necessary work to use household waste (to produce fuel from household waste - RDF, Refused Derived Fuels, generated as a result



GRI 102-11, 103-1, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7

of the installation of Mechanical and Biological Pre-processing Facilities on municipality landfill areas) to be produced from solid wastes of metropolitan municipalities in the provinces where the plants are located, at the rotary kilns in addition to hazardous or non-hazardous industrial alternative fuels. To this end, the Company liaises with metropolitan municipalities through the Turkish Ministry for Environment and Urban Planning.

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

ÇİMSA'S WASTE POLICY

With the designated waste policy, Çimsa targets;

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

Çimsa's 2018 performance in the main targets of its Energy management

CONSUMPTION OF ALTERNATIVE FUELS

In the 2nd kiln of the Eskişehir Cement Plant, the co-incineration rate of household waste (Waste-Derived Fuel) increased to 38.81%. In order to increase the use of alternative fuels and reduce greenhouse gas emissions, Çimsa included the Afyon Plant in the 2018 assessment through consolidation with Çimsa's Integrated Factories.

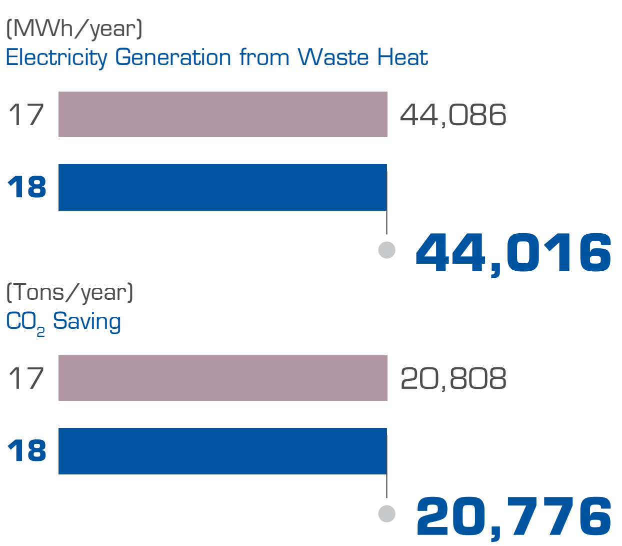
Çimsa's grey production co-incineration rate stood at 6.8% in 2018. The Company submitted a waste incineration license application in 2018 for the Afyon Plant, and the process is continuing.

ENERGY EFFICIENCY

Energy management is a priority issue at Çimsa along with its sustainability strategy. The Company has invested in low carbon technology over the last couple of years in an effort to improve its environmental sustainability performance at the Afyon, Niğde and Eskişehir plants, with the aim of achieving low energy consumption. The Company's 2018 environmental performance indicators found that efficiency was achieved in Scope 2 specific energies.

With the investment to convert waste gas into electricity at the Mersin Cement Plant in 2012, savings were achieved in terms of recovery, which constitutes an important share of energy efficiency.

Last 2 Years' Data of the Mersin Plant's Waste Gas Heat Facility



GRI 102-11, 103-1, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7

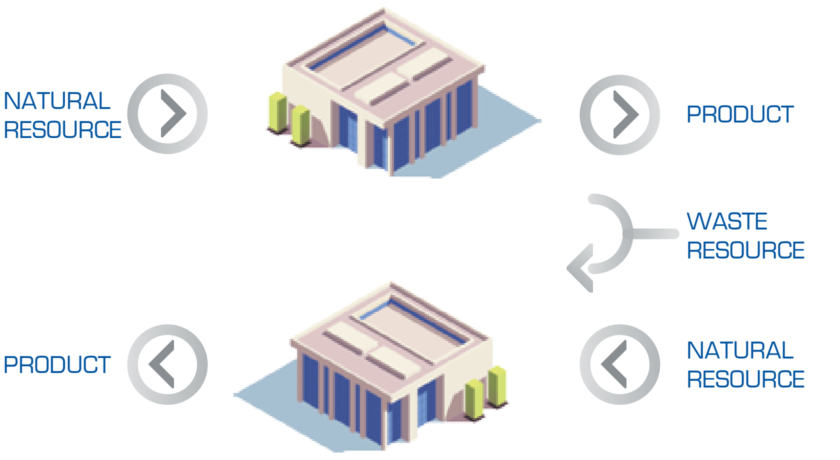
Climate and Energy

CONSUMPTION OF ALTERNATIVE RAW MATERIALS

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

Including project based studies, Çimsa increased the use of alternative raw materials in 2018 when compared to previous years. Work is ongoing to extend the "Industrial Symbiosis Applications", which were initiated at the Eskişehir Plant, to the other facilities as well.

Industrial Simbiosis



INDUSTRIAL SYMBIOSIS APPLICATION

Industrial symbiosis is defined as the exchange of substances and energy between two independent industrial enterprises which are similar in nature.

Industrial symbiosis involves long-term partnerships and working in solidarity to enhance both environmental performance and competitive power, by gathering two or more industrial establishments which would, preferably, be physically close to each other, but working independently of each other. Industrial symbiosis involves bringing together independent enterprises within the framework of a more sustainable and innovative resource utilization approach.

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

The objectives of the project:

» To create symbiosis between industrial enterprises
» To reduce clinker and cement costs
» To protect raw material core resources
» To achieve operational excellence
» To reduce the use of natural raw materials and CO_2 emissions as part of efforts to achieve a sustainable environment

The implemented project is also assessed in the sustainability reports, contributing to the environmental and economic dimensions of the Company's strategy.

The following achievements have been realized by using alternative raw materials instead of natural raw materials;

» Economically; industrial symbiosis practices were stepped up with different sectors, providing improvements in sustainable resource efficiency.
» Environmentally; the natural habitat was preserved, saving 362,514 tons of natural resources per annum over the last 3 years, and thus avoiding the disposal of 362,514 tons of waste per annum, while enabling sustainable production.
» Socially; the recovery of substances was provided at the Eskişehir Cement Plant by using alternative raw materials, helping alleviate industrial based environmental issues.

GREENHOUSE GAS EMISSIONS

Çimsa is moving towards a low carbon future to reduce emissions of CO_2, a greenhouse gas which can cause climate change.

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

After its greenhouse gas emissions are verified by an independent audit company, Çimsa submits the reports to the GNR database of the GCCA

GRI 102-11, 103-1, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7

within the framework of "Assurance Declaration". To this end, Çimsa is able to compare itself with other GCCA member countries to assess its own performance.

Çimsa achieved the highest rating in the Turkish cement industry in the 2018 CDP climate change and water reports.

ÇİMSA ACHIEVED THE HIGHEST RATING IN THE TURKISH CEMENT INDUSTRY IN 2018 CDP CLIMATE CHANGE AND WATER REPORTS.

Çimsa participates in the climate and water programs of the Carbon Disclosure Project (CDP), an initiative developed by the international investment community in the effort to tackle climate change. Within this context, Çimsa prepares the CDP Climate Change and Water Report each year, which includes its implementations and targets to tackle the global water crisis in addition to work on combatting climate change works and targets.

Çimsa has included the water footprint calculations in the CDP Water Report, the first time it was carried out in the cement sector. Receiving a B rating in the CDP Climate Change Report and a B- rating in the Water Report in 2018, Çimsa ranked among the best scoring companies in the Turkey cement sector ranking.

Çimsa submits the Climate Change and Water Reports online to the CDP portal every year, which include its strategy on greenhouse gas emissions, risk and opportunity analysis, performance and results. Data on the Company's greenhouse gas emissions are published every year within the framework of "Assurance Declaration" after being verified by an independent auditor.

ROTARY KILN EMISSIONS

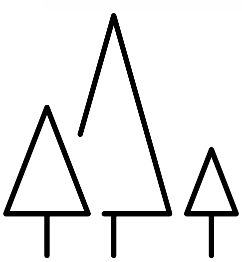
In the cement production process, dust and gas is also emitted from rotary kilns in addition to the greenhouse gas emissions. Measured by accredited laboratories at periods determined under continuous measurement systems and related regulations, dust and gas emission values have remained below the threshold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

Pollutant Emissions	2017	2018
Total Dust Emissions (tons)	93.09	87.53
Specific Dust Emissions (gr/ton clinker)	19.89	15.11
Total NO_x Emissions (tons)	7,942.77	7,346.66
Specific NO_x Emissions (gr/ton clinker)	1,696.82	1,268.32
Total SO2 Emission (tons)	-	67.51
Specific SO_2 Emission (gr/ton clinker)	-	11.66
Total Toxic Heavy Metal Emission (tons)	0.28	0.22
Specific Toxic Heavy Metal Emission (gr/ton clinker)	0.06	0.04
Total Volatile Organic Compound (VOC) Emission (tons)	138.61	117.98
Specific Volatile Organic Compound (VOC) Emission (gr/ton clinker)	29.61	20.37
Total Dioxin-Furan Emission (gr)	0.03	0.02
Specific Dioxin-Furan Emission (µgr/ton clinker)	0.01	0.003
Total Mercury Emission (tons)	0.01	0.01
Specific Mercury Emission (gr/ton clinker)	0.03	0.002
Total Cd+Tl Emission (tons)	0.05	0.05
Specific Cd+Tl Emission (gr/ton clinker)	0.01	0.01
Total HCl (ton)	0.39	0.34
Spesific HCl (gr/ton clinker)	0.19	0.06
Total HF (ton)	0.39	0.83
Spesific HF (gr/ton clinker)	0.19	0.14

GRI 102-11, 103-1, 301-2, 302-1, 302-4, 305-1, 305-4, 305-5, 305-7

Environmental Management

Environmental sustainability is a key component of Çimsa's agenda.



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

ENVIRONMENTAL SUSTAINABILITY IS AN IMPORTANT COMPONENT OF ÇİMSA'S AGENDA.

Çimsa has undertaken major investments at its Afyon Plant, Niğde Plant and Eskişehir Plant over the last couple of years in order to improve their environmental sustainability performance. The investments undertaken in this field and their details are shared with stakeholders every year in the Integrated Annual Report and through other communication channels on the basis of transparency and compliance with ethical principles.

Çimsa's commitment within the framework of its environmental policy is to continuously improve its environmental performance and to provide sustainable contributions to its activities and society. The Company's operations are based on the life cycle, economic cycle, sustainable development and continuous improvement principles.

PROCESSES THAT ARE FULLY ALIGNED WITH THE ENVIRONMENTAL POLICY AND THE TS EN ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEM ARE CONSTANTLY MONITORED AND IMPLEMENTED.

Within the context of the TS EN ISO 14001:2015 Environmental Management System, internal audits are carried out and improvement and investment work is conducted with action plans where needed. Legal compliance is a prerequisite in environmental management.

Environmental management teams work to maintain full compliance with legal regulations in terms of process and performance on environmental management issues.

Thanks to the proactive approach followed, no incidents of non-compliance with environmental laws and regulations during the reporting period were recorded and no legal sanctions or penalties were imposed.

ENVIRONMENTAL POLICY AND TS EN ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEM STORED IN CORPORATE MEMORY WITH QDMS AUTOMATION.

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

The main approaches given importance to in Çimsa's processes;

» approaches to minimize the environmental impact and preventive approaches,
» compliance with legislation and all applicable regulations,
» prioritizing clean technologies, applying the best available techniques,
» sustainability approach,
» efficient and effective use of resources
» measurement to reduce the corporate water footprint.

THE VALUE WE PRODUCE

Environmental Policy and Standards
Contribution to climate action

RELATED STAKEHOLDERS

WATER MANAGEMENT AT ÇİMSA ISO 14046 WATER FOOTPRINT STANDARD UPDATED WITH INREGRATION OF THE AFYON PLANT.

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

To this end, a "Water Footprint Inventory Report" is prepared each year in order to summarize and validate the systematic work carried out to achieve the objectives.

GRI 103-1, 303-1, 303-3, 304-1, 304-3, 304-4, 306-1, 306-2, 306-5

Environmental Management

The Water Footprint Inventory Report is aimed at the following:

- Entering the list of leaders with the CDP Water Report
- Providing necessary equipment for the production-based measurement of the water consumed in all factories (tons of water/tons of clinker)
- Reducing the consumption of natural resources
- Compliance with the discharge limits specified in the Regulation on Water Pollution Control

Each year, Çimsa updates its ISO 14046 Water Footprint certificate through an audit process carried out by an independent auditor. This certificate was updated in 2018 with the integration of Afyon Cement Plant.

The Water Footprint Inventory Report is prepared for internal use within the company and the results of the report are used in the CDP Water Report. The water footprint study sets out the volume of water consumed and the volume of water that has been polluted.

In a bid to reduce household and industrial water consumption and to increase the quality of the water removed from the enterprise, planned studies have been carried out, some of which are listed below:

- Household type wastewater produced at the Çimsa Eskişehir, Kayseri and Afyon plants are reused as gas coolant water after purification. This method not only prevents the discharge of purified water but also reduces water consumption.
- The wastewater produced at the Mersin Plant is processed at the biological waste water purification facilities before being transferred to the receiving bodies once the quality of the wastewater in the discharge section reaches the required limits and the environmental permits are secured.
- At the Niğde Plant, household wastewater is directly connected to the city sewer. In the Ankara Plant, wastewater collected in the septic tank is transferred to the municipal treatment system.

WASTE MANAGEMENT AT ÇİMSA'S FACILITIES

A waste management system is implemented at Çimsa for hazardous and non-hazardous wastes produced in the course of the plants' production activities.

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

A waste storage area supervisor is on duty in every facility so waste can be handled at each facility without problems. All waste produced in each facility is defined and the frequency and amount of the waste is determined. Çimsa determinates which wastes are subject to which legislation, the method and the frequency of waste collection, and the transportation, temporary storage and maximum storage period of the waste. Hazardous waste is sent to disposal facilities depending on the waste type and codes while combustible wastes are burned together in facilities which hold a waste license to provide energy recovery.

ÇİMSA'S MINING ACTIVITIES AND BIODIVERSITY

Raw Materials of Cement Production

- limestone,
- clay,
- shist

and similar materials.

GRI 103-1, 303-1, 303-3, 304-1, 304-3, 304-4, 306-1, 306-2, 306-5

Çimsa initiates studies on preventing any negative impact on natural life and minimizing the environmental impact of mining operations before bringing mining fields into operation. An Environmental Impact Assessment (EIA) process is carried out following the designation of the mining field. With this assessment, all potential environmental and social impacts, including the impacts on biodiversity, are identified and necessary measures are put in place.

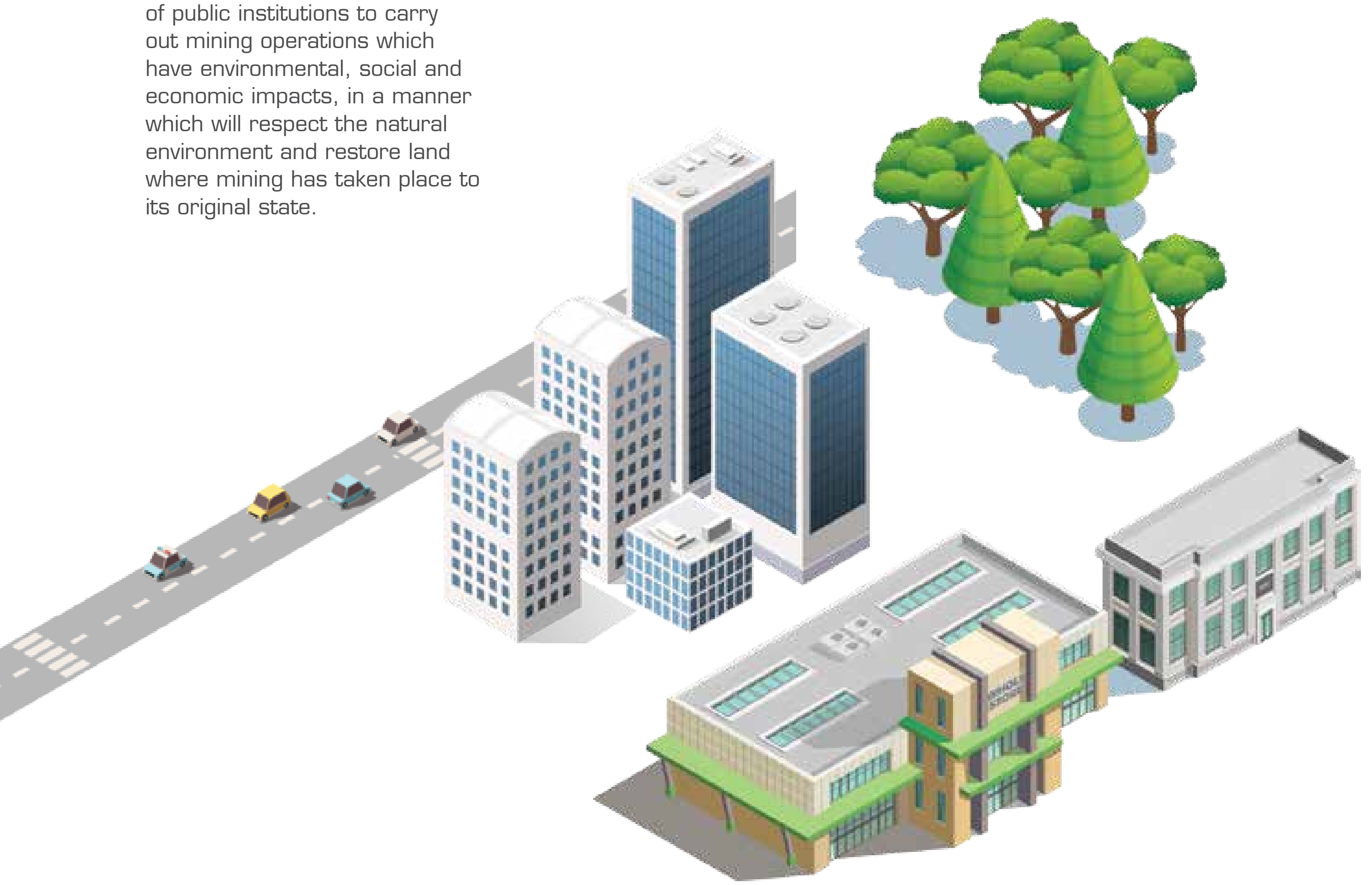
“Ecological Recovery Plans” are prepared with the approval of public institutions to carry out mining operations which have environmental, social and economic impacts, in a manner which will respect the natural environment and restore land where mining has taken place to its original state.

609.62

As of 2018, relevant public authorities approved Ecological Recovery Plans for 609.62 hectares of Çimsa’s land.

17.73

Between 2015 and 2018, restoration activities on the entire 17.73 hectares of mining sites where operations had been wound up were finalized.



GRI 103-1, 303-1, 303-3, 304-1, 304-3, 304-4, 306-1, 306-2, 306-5

Corporate Communication

SUPPORTING STRONG AND TRANSPARENT COMMUNICATION WITH STAKEHOLDERS

In 2018, Çimsa maintained its corporate communication activities unwaveringly.

Ensuring strong and transparent communication with all of its stakeholders, Çimsa carried out a wide array of activities in various fields from press activities, advertising and sponsorships to events and corporate social responsibility activities throughout 2018.

In 2018, Çimsa actively carried out press communication activities to highlight its achievements, the projects it carried out and its activities. The content of the press releases and news concerning the company published in the media was shared on the corporate web site, which was kept up-to-date.

Aiming to be in 360 degree communication with its stakeholders, Çimsa also actively uses social media channels such as LinkedIN, Facebook and Twitter in addition to its corporate web site, providing updates and announcements to its followers through these channels.

https://www.linkedin.com/company/cimsa/
https://www.facebook.com/

CIMSACEMENT/
https://twitter.com/cimsacement?lang=en

A MEMBER OR SUPPORTER OF MANY INTERNATIONAL AND LOCAL ORGANISATIONS

Çimsa is a member of a number of domestic and international associations and initiatives that carry out activities in areas related to its strategy, operations and objectives. Within the scope of these memberships, in which the Company undertakes active duties, the Company shares its experience in the field of sustainability and participates in cooperation platforms.

In 2018, Çimsa maintained its contributions to the associations and similar organizations of which it is a member. Also during 2018, the Company became a member of new associations and organizations which would contribute to its missions.

CORPORATE SOCIAL RESPONSIBILITY

Çimsa supports enduring social responsibility activities which create value for society. The Company aims to carry out its corporate social responsibility projects with a long-term approach in a comprehensive and systematic model. Çimsa is also focuses on ensuring more people benefit from access to these by expanding the scope of these projects.

PROJECTS FORMED WITH A LONG TERM APPROACH

Apart from producing economic value, companies in a globalizing world contribute to society through social responsibility projects targeting the improvement of society and of individuals.

As an organization aware of the importance and value of providing benefits to society through corporate social responsibility projects, Çimsa continued its steadfast work in this area in 2018. Planning and implementing its corporate social responsibility activities with a long term perspective and with the aim of creating lasting value, Çimsa is involved in projects which focus on the environment and on people, and which aim to raise the welfare levels of both individuals and society as a whole.

TURNING THE SPOTLIGHT ON EDUCATION AND CHILDREN WITH ITS CSR PROJECTS.

Çimsa defines education as an area requiring corporate support and contribution in Turkey, and attaches tremendous importance on projects that support children.

The Company also carries out social responsibility projects in areas such as health, the environment, arts and culture and sports.

ÇİMSA YAZ ÇOCUKLARI PROJECT ENTERS ITS 8TH YEAR

Aiming to contribute to the development of children through education, Çimsa Yaz Çocukları corporate social responsibility project was initiated in Niğde in 2011 with the participation of 32 children. First realized with the participation of the children of employees working at Çimsa's Niğde Plant, the project expanded its scope to include children from nearby villages in the following years. Reaching its 8th year, the project was held in Mersin in 2016 and 2017 before moving to Kayseri for the first time in 2018, where a total of 27 children participated in the project in Kayseri. As of the end of 2018, a total of 863 children had participated in the Çimsa Yaz Çocukları project.

YaZ ÇOCUKLaRI
ÇİMSA

The total number of children who participated in the Çimsa Yaz Çocukları corporate social responsibility project had reached 863 as of the end of 2018.

As part of the project, two-week-long programs were given to children aged between 7 and 12 by the psychologist, drama teachers and physical education trainers. During project, children were involved in a series of entertaining activities such as arts, drama, music and sports, as well as exercises in communication, empathy, problem solving, perception development, creativity, basketball, volleyball and coordination.

STEPS TOWARDS A LIFE WITHOUT DISABILITY

During the Disability Week in 2018, Çimsa contributed to the provision of 50 electric wheelchairs to disabled individuals in collaboration with the Mersin Metropolitan Municipality. A total of 161 electric wheelchairs were presented to those in need during the 4-year-long project.

Meanwhile, since 2016, the Company has been participating in the Plastic Lid campaign run by The Spinal Cord Paralytics Association of Turkey (TOFD) through the collection of plastic bottle lids. Within the context of the support extended to the campaign, the company contributed to the purchase of battery-operated and manual wheelchairs for disabled individuals through the income generated from the recycling of the lids.

ALSO ADDING VALUE TO SOCIETY THROUGH SPONSORSHIPS.

The BETONART 17th Architecture Summer School
Organized by the Turkish Cement Manufacturers' Association (TÇMB) to gather architecture students throughout Turkey, the BETONART Architecture Summer School was opened for the 17th time with Çimsa's assistance to support social development.

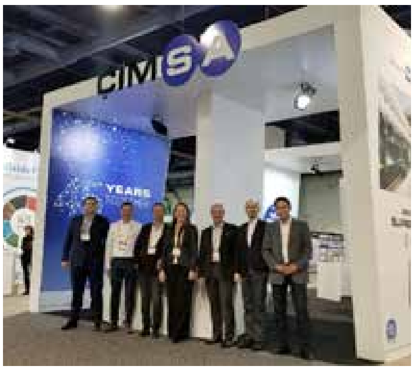
Within the context of the project, which took place at the Abdullah Gül University in Kayseri, 24 students produced original works with cement and concrete provided by Çimsa at the end of an intensive program based on the theme of 2018: "Being Concrete, a Morphogenetic Approach".

Students had the opportunity to recognize soil and concrete, and young people, who produced drawings of the projects, also had the chance to create prototypes, finding the opportunity to produce their work from planning to implementation during their time in the summer school.

THE 1ST TURKEY ENERGY AND MINING FORUM

Çimsa provided support to the 1st edition of the Turkey Energy and Mining Forum, held at the Istanbul Lütfi Kırdar International Convention and Exhibition Center, under the auspices of the Turkish Republic Ministry of Energy and Natural Resources.

Corporate Communication



Gathering all stakeholders of the industry together, Turkey's strategic importance in the field of energy was underlined and investment opportunities, which arose in 2018, were brought to the agenda during the first Turkey Energy and Mining Forum.

11TH CORPORATE GOVERNANCE SUMMIT

Çimsa supported the 11th Corporate Governance Summit held in 2018 by the Corporate Governance Association of Turkey (TKYD).

Çimsa held activities aimed at ensuring effective stakeholder engagement and interaction.

WORLD OF CONCRETE (WOC) 2018

Çimsa participated in the International Construction Fair World of Concrete (WOC) 2018, which was held in Las Vegas on 23-26 January 2018 with the participation of 55,000 visitors and 1,500 companies.

At the fair, Çimsa presented its wide range of products under the roof of the "Name of the Formula" to the appreciation of the leading representatives of the American market.

DEALER AND BUSINESS PARTNERS MEETINGS

Çimsa continued to meet international dealers and business partners in 2018, which it deems to be the key elements of the value chain. Held in Morocco between 8-11 March 2018 and in Montenegro between 24-27 April 2018 with the participation of Company management, dealers and business partners, developments in global and local cement markets were examined in these meetings, which offered a valuable forum for the participants to share their ideas.

IFTAR EVENTS GATHERING 18,500 INDIVIDUALS

In 2018, Iftar events were organized for the general public in cooperation with municipalities in five cities where Çimsa's plants are located. A total of 18,500 individuals attended the Iftar events in five cities. Çimsa's managers and business partners shared the blessings of Ramadan with local people in the Iftar events, held in Kayseri, Niğde, Mersin, Eskişehir and Afyon.

THE FOURTH CONSTRUCTION CHEMICALS SEMINAR

Organized by Çimsa, the 4th Construction Chemicals Seminar was held on September 18, 2018. Trends affecting the cement industry were discussed during the event, which was attended by local and international experts, attracting great interest from Çimsa's business partners.

Çimsa was selected as the most successful company in the construction category of the Platin Global 100 Index.

ÇİMSA MANAGEMENT MEETING

Sabancı Holding and Çimsa managers gathered at the Çimsa Management Meeting held on 1-2 November, 2018. The meeting gave managers a chance to evaluate the events of 2018 along with expectations of 2019.

Çimsa's work continued to win acclaim and awards in 2018.

THE MOST SUCCESSFUL COMPANY IN THE PLATIN GLOBAL 100 INDEX

Çimsa was selected as the most successful company in the construction category of Platin Global 100 Index Organized in cooperation with Platin Magazine and independent market research company, Ipsos, the event determines which firms contribute the most to Turkey. Undertaking strategic studies with the vision derived from the 'Sabancı of New Generation' and information know-how to be a part of the digital transformation, Çimsa once again proved its contributions to the Turkish economy and the development of the industry with this award.

ONE OF THE TOP THREE EXPORTERS

Çimsa once again demonstrated its leadership in white cement and special products in the global market, as well its contribution to the Turkish economy. At the Exports Champions Awards organized within the context of 25th Ordinary General Assembly of the Turkey Exporters Assembly (TİM), Çimsa was ranked as one of the top three exporter in the cement, glass, ceramic and soil products sector, with exports of USD 103.8 million.

RANKED IN THE TOP 10 AT INOVALIG -INNOVATION AWARDS-

Ranked among the companies to have proven their success in the field of innovation during the 4th InovaLİG program held this year, in cooperation between the Turkey Exporters Assembly (TIM) and the international management consulting firm IMP3rove Academy, Çimsa broke further ground in the cement industry. Çimsa was awarded the Outstanding Achievement Certificate, ranking among the top 10 companies in the Innovation Organization and Culture category of the InovaLİG Awards, where 971 companies competed on the basis of innovation competencies.

Corporate Memberships
Business Council for Sustainable Development (SKD/TBSCD)
Turkish Green Building Council (ÇEDBİK)
Turkish Industry and Business Association (TÜSİAD)
Turkish Marine Environment Protection Association (TURMEPA)
Cembureau The European Cement Association (CEMBUREAU)
Turkish Association of People Management (PERYÖN)
Corporate Governance Association of Turkey (TKYD)
Turkish Cement Manufacturers' Association (TÇMB)
Foreign Economic Relations Board (DEİK) - American/Turkish Council
American/Turkish Council (ATC)
Turkey Ready-Mixed Concrete Association (THBB)
Chamber of Mechanical Engineers
Chamber of Mining Engineers
Mediterranean Exporter Associations (AKİB)
Central Anatolia Exporters Associations (OAİB)
Commerce and Industry Associations
Mersin Industry and Business Association (MESİAD)
Turkish Investor Relations Society (TÜYİD)
Global Compact Turkey
Integrated Reporting Turkey Network (ERTA)
YANINDAYIZ Association
Global Cement and Concrete Association (GCCA)

GRI 102-13

06 THE BOARD OF DIRECTORS ANNUAL REPORT

Serial: Prepared with Respect to the Communique Numbered II-14.1
1 January – 31 December 2018 Annual Report of the Board of Directors

EY
Building a better working world

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Mersis No: 0-4350-3032-6000017

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

To the Shareholders of Çimsa Çimento Sanayi ve Ticaret A.Ş.

1) Opinion

We have audited the annual report of Çimsa Çimento Sanayi ve Ticaret A.Ş. ("the Company) and its subsidiaries ("the Group") for the period of 1/1/2018-31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 20,2019 on the full set consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

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5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the *consolidated* financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

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

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

Cem Uçarlar, SMMM
Partner

March 1, 2019
İstanbul, Turkey

Çimsa Çimento Sanayi ve Ticaret A.Ş.
SERIAL: PREPARED WITH RESPECT TO THE COMMUNIQUE NUMBERED II-14.1
1 JANUARY – 31 DECEMBER 2018 ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. GENERAL INFORMATION

1.1 Accounting Period of Report 01 January - 31 December 2018

1.2

Trade Name of the Company	Çimsa Çimento Sanayi ve Ticaret A.Ş.
Trade Register Number of the Company	İstanbul Ticaret Sicil Müdürlüğü, 708500
MERSIS (Central Trade Registry System)	0257 0035 2450 0014
Website of the Company	www.cimsa.com.tr

1.3 Capital

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

1.4 Shareholding Structure

The capital structure reflecting the company's shareholding structure is as follows.

Shareholder	Share Ratio (%)	Share Amount (TL)	Number of Shares (Item)
HACI ÖMER SABANCI HOLDİNG A.Ş. (*)	54.54	73,674,200.73	7,367,420,073
AKÇANSA ÇİMENTO SANAYİ A.Ş.	8.98	12,130,560.00	1,213,056,000
PUBLICLY TRADED PART	36.48	49,279,681.27	4,927,968,127
General Total	100.00	135,084,442.00	13,508,444,200

(*) Adana Çimento Sanayi T.A.Ş. sold our Company's share certificates with the nominal value of TL 6,908,993, of which it owns at the ratio of 5.11%, to Hacı Ömer Sabancı Holding A.Ş. on 06 April 2018.

1.5 Privileged Shares and Voting Rights

There is none.

1.6 The Board of Directors

Tamer SAKA	Chairman (As of 01 April 2018) (*)
Mehmet HACIKAMİLOĞLU Chairman	(Until 31 March 2018) (*)
Serra SABANCI	Deputy Chairman
Gökhan EYİGÜN	Member
Barış ORAN	Member
Fatma Dilek YARDIM	Independent Member (As of 27 March 2018)
Mehmet Nazmi AKDUMAN	Independent Member (As of 27 March 2018)
Hasan Cihat ERBAŞOL	Independent Member (As of 27 March 2018)
Mehmet KAHYA	Independent Member (As of 27 March 2018)

(*) The Chairman of the Board of Directors Mr. Mehmet HACIKAMİLOĞLU resigned with effect from 31 March 2018, and Mr. Tamer SAKA was elected in lieu, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held.

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

GRI 102-18

During the meetings held for the re-appointment of the Board of Directors, Tamer SAKA was appointed as the Chairman and Serra SABANCI was appointed as the Deputy Chairman of the Board of Directors.

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

The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of the Capital Market Law and Turkish Code of Commerce.

Members of the Board of Directors

Tamer SAKA

Chairman (as of 01 April 2018)

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

Mehmet HACIKAMİLOĞLU

Chairman (until 31 March 2018)

Mehmet Hacıkamiloğlu was born in Ankara in 1969. After graduating with a Bachelor's degree in Civil Engineering from Boğaziçi University, he completed an International Business Administration Program at Istanbul University and the Executive-MBA program at Sabancı University. Mr. Hacıkamiloğlu then joined Sabancı Group as the Plant Manager at Betonsa, and continued his career as the Investment and Planning Specialist within the same company at the Group. He then worked as the Strategic Development and Planning Manager at Akçansa between 1997 and 1999, and as the Company Manager at Agregasa between 1999 and 2001. After holding office as the Financial Coordinator at Akçansa for two years, Mr. HACIKAMİLOĞLU joined Çimsa as the Deputy General Director (in charge of Finances and Administrative Affairs). Mehmet HACIKAMİLOĞLU was appointed the General Manager of Çimsa on 1 July 2006. He then resigned from his position as the General Manager of Çimsa on 1 September 2014 and was appointed as the General Manager of Akçansa Çimento Sanayi ve Ticaret A.Ş. on the same date. On 17 February 2016, he was appointed as the President of the Sabancı Holding Cement Group as well as the Chairman of the Çimsa Board of Directors. He resigned from his position as Chairman on 31 March 2018 and left the office.

Serra SABANCI

Deputy Chairman

Serra Sabancı was born in Adana in 1975, and completed her undergraduate studies at the University of Portsmouth and at the Department of Economics at Istanbul Bilgi University, where she graduated as the top student. Serra Sabancı worked at Temsa and took trainings on Company Acquisitions and Board of Directors Memberships at the Institute of Directors in London. Serra Sabancı continues to hold office as the Member of the Board of Directors at the Sabancı Holding as well as various group companies, and as the Member of the Board of Trustees at the Sabancı Foundation. Since 18 December 2009, she has been holding office as the Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. She was appointed as the Deputy Chairman of the Board of Directors at Çimsa as of 31 March 2017.

Barış ORAN

Member

Born in Çanakkale in 1973, Barış Oran graduated from the Department of Business Administration of Boğaziçi University, and completed an MBA degree at the University of Georgia. He began his career as an Auditor at Price Waterhouse Coopers in 1995, before joining Sara Lee Corp. Chicago IL, first working on auditing and later in finance and treasury/capital markets between 1998 and 2003. He held office at Ernst and Young between 2003 and 2006, first at Minneapolis, MN, before serving as the Senior Manager in charge of the Europe, Middle East, Africa and India Regions. Mr. Oran started working for Kordsa Global in 2006, and he held positions as Audit Director, Global Finance Director and then as the CFO. In 2011, he was appointed as the Finance Director of the H.Ö. Sabancı Holding and in 2012, he was appointed as the Manager of the Planning, Reporting and Finance Department. Since 2016, he has been serving as the Head of the Finance Group of the H.Ö. Sabancı Holding. He has been serving as the Member of the Board of Directors of Brisa, Enerjisa, Teknosa, Carrefoursa, Yünsa, Avivasa, Temsa and Akçansa. Mr. Oran is a Certified Public Accountant (CPA). He was elected as the Member of Çimsa Çimento Sanayi ve Ticaret A.Ş.'s Board of Directors as of 16 October 2015.

Gökhan EYİGÜN

Member

Mr. Eyigün graduated from the Istanbul Technical University, the Department of Management Engineering in 1998 with honours. He completed the MBA degree at the Rotterdam School of Management between 2002 and 2004 and underwent several executive trainings at the Harvard Business School. Throughout his career, that has spanned over 20 years, Gökhan EYİGÜN has worked as a manager in the projects and operations particularly in the fields of corporate finance, strategy and corporate business development, encompassing many different industries.
He began his career at Arthur Andersen and worked as a consultant mainly in the field of Corporate Finance.
He went on to take part in the establishment of the Corporate Financing and M&A Consultancy Department at PricwaterhouseCoopers and took office as the manager of this department. Since 2007, Gökhan Eyigün has worked as a manager at different levels in Sabancı Holding and is currently serving as the Director in charge of Strategy and Business Development. He has also been holding office as the Member of the Board of Directors at several companies of the Sabancı Holding since 2010. Mr. Eyigün was appointed as a Member of the Board of Directors of Çimsa on 31 March 2017.

Fatma Dilek YARDIM

Independent Member (as of 27 March 2018)

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

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Mehmet Nazmi AKDUMAN

Independent Member (as of 27 March 2018)

Mehmet Nazmi Akduman was born in İzmit in 1947. He graduated from the Istanbul Technical University as a Chemical Engineer (MSc) in 1969. In the same year he started his career at OTASAN A.Ş. before leaving his position to carry out his military service in 1970. After 1972, he served as a Planning Supervisor, Logistics Manager, Purchasing Director, Financial and Administrative Affairs Director and Deputy General Manager at Türk Pirelli Lastikleri A.Ş., and was appointed as CEO for Türk Pirelli Kablo ve Sistemleri A.Ş. in 1977 and as Chairman of the Board of Directors for the Pirelli Cable Romania. After the Pirelli Group's sale of the cable segment in 2002, he served as the Managing Director and General Manager at ÇİMENTAŞ A.Ş., a part of Cementir - an Italian Group - until 2012. Mr. Akduman later served as the Board Member of ÇİMENTAŞ. During his career, he has undertaken roles at NGOs such as YASED (International Investors Association), TUSİAD (Turkish Industrialists' and Businessmen's Association) and DEİK (Foreign Economic Relations Board). Mehmet Nazmi Akduman is fluent in English and Italian. He was elected to the membership of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. at the Annual General Meeting held on 27 March 2018.

Hasan Cihat ERBAŞOL

Independent Member (until 27 March 2018)

Erbaşol was born in Istanbul in 1944. He graduated from the Darüşşafaka Private High school in 1962 and the Washingtonpark High School in Racine/ Wisconsin in 1963. He then attended Istanbul University, where he graduated from the Faculty of Law in 1967. Erbaşol started his career as an attorney at the Marshall Paint Industry. He then worked as the Legal Consultant at the Man Truck Industry. He worked at the Kordsa - Lassa (Brisa) – Beksa companies, which are part of the Sabancı Holding group, as well as the Head of Law Department at the Sabancı Holding. He has been working independently since 2000 and is a legal consultant. He was appointed as a Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. on 24 April 2012 and served in this capacity until 27 March 2018.

Mehmet KAHYA

Independent Member (until 27 March 2018)

Mehmet Kahya graduated from Yale University with undergraduate degrees in the Departments of Chemical Engineering and Economics. He completed an MBA in the fields of Finance, Marketing and Operational Research at the Kellogg Graduate School of Management. He then worked as a Supervisor of Management Services at Sasa, and as the President at the MKM International and Cybernetic. He served as the Vice President of the Sabancı Group's Automotive Group, then as the Vice President and the President at Temsa before being appointed as the Vice President at Toyotasa. He also served as a Member of Sabancı Holding's Planning and Steering Council and as a Member of the Board of Directors of Temsa, Toyotasa, Sasa and Sapeksa. He was the Managing Director and the Deputy Chairman of the Board of Directors at Carnaud Metalbox. He served as the President of the Uzel Machinery and the Executive Committee Member of the Uzel Holding and as the General Manager and Deputy President of the Paint Group at DYO. He was the Executive Committee Member of the Sarten Packaging. He served as the Deputy Chairman of the Board of Directors of Gierlings Velpor and the President of Assan Aluminium. As the founder of Kronos Company, he has been providing consultancy services on strategy, restructuring, profitability transformation, growth, acquisition and merger processes. He is currently holding office as the Independent Member in the Boards of Directors of the Yaşar Holding, Altınyunus, DYO and the Viking Paper. He is also currently holding office as the President of the Risk and Audit Committee of Yaşar Holding, and as the Member in the Boards and the Executive Councils of the Viko and Kalibre Pipes companies. He was appointed as the Member of the Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş. on 24 April 2012 and he served in this capacity until 27 March 2018.

1.7 Auditor

Regarding the election of an auditor within the scope of the Article No. 399 of the Turkish Commercial Code, in accordance with the principles specified in the Turkish Commercial Code No. 6102 and Capital Market Law No. 6362, which were presented to the General Assembly with the recommendation of the Audit Committee, and the advice of the Board of Directors, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) residing in Istanbul was approved to be appointed for the audit of the financial reports of our company for the 2018 operating period and to perform other activities under the relevant regulations of the Turkish Commercial Code No. 6102 and Capital Market Law No. 6362 at the 2017 Annual General Meeting held on 28 March 2018.

1.8 Senior Managers

Ülkü ÖZCAN	General Manager (as of 01 October 2018)
Nevra ÖZHATAY	General Manager (until 30 September 2018)
Eren MANTAŞ	Deputy General Manager (Finance and Financial Affairs)
Ümit ÇETİN	Deputy General Manager (Supply Chain)
Caner TÜRKYENER	Deputy General Manager (Technical)
Hüseyin ÇAĞLAR	Deputy General Manager (Sales and Marketing) (as of 01 November 2018)
Tuğba ÇÖRTELEKOĞLU	Deputy General Manager (Corporate Development and Human Resources) (as of 02 January 2019)
Bilgen ÇAĞLI	Deputy General Manager (Corporate Development and Human Resources) (until 06 July 2018)
Gürol ÖZER	Deputy General Manager (Cement Operations and Investments) (until 30 November 2018)
Önder KIRCA	Deputy General Manager (Innovation, R&D and Grey Cement Export) (until 30 November 2018)
Cem TALAY	Deputy General Manager (Grey Cement Sales and Marketing) (until 31 July 2018)

Ülkü ÖZCAN

General Manager (as of 01 October 2018)

After graduating from the Department of Business Administration (in English) at Marmara University, Ülkü Özcan began her career at Lafarge Turkey in 1999. She served as the Strategic Planning Specialist between 1999 and 2003, as the Strategy and Business Development Manager between 2003 and 2005, and as the Marketing Project Manager between 2005 and 2007. She began working at Çimsa as the Strategy and Business Development Manager in January 2010. She was appointed to the post of Strategy and Marketing Director on 1 April 2013. Ms. Özcan was then appointed to the newly established position of the Deputy General Manager for Strategy, Marketing and Sustainability on 7 February 2014 and then held office as the Deputy General Manager in charge of White Cement and Special Products from 1 January 2015,. Ms. Özcan has been the Deputy General Manager in charge of White Cement and Special Products Sales and Marketing as since 1 April 2015. She was appointed as the General Manager of Çimsa on 1 October 2018.

Nevra ÖZHATAY

General Manager (until 30 September 2018)

After graduating with a bachelor's degree in Business Administration from Boğaziçi University, Nevra Özhatay completed an MBA at Exeter University in the UK. She started working as the Finance Specialist at the Sabancı Holding Cement Group in 1994 and became the Management Support Manager at Akçansa in 1996, before being appointed as the Strategy and Business Development Specialist in 1998, the Planning and Control Manager in 2000, the Strategy and Business Development Manager in 2004 and the Logistics, Strategy and Business Development Director in 2008. Ms. Özhatay was appointed as the Financial Affairs Deputy General Manager of Çimsa on 1 January 2009 and as the Deputy General Manager in charge of White Cement and Special Products on 1 June 2013. She was appointed as the General Manager of Çimsa on 1 September 2014. She left her position on 30 September 2018.

Eren MANTAŞ

Deputy General Manager (Finance and Financial Affairs)

After his graduation from the Department of Business Administration at Boğaziçi University, Mr. Mantaş completed an MBA program at the University of California. He started working at Arthur Andersen & Co. as a Senior Advisor in 1997 before going on to went for Actus Lend Lease LLC as the Project Finance Manager. He worked as the Strategic Planning Manager at Teknoloji Holding and as the Strategy, Planning and Finance Director at Brightwell Holdings BV. In 2012, he served as the Financial Planning, Analysis and Investor Relations Director at Sabancı Holding. Since 15 May 2017, Mr. Mantaş has been working as the Deputy General Manager in charge of Finance and Financial Affairs at Çimsa.

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Ümit ÇETİN

Deputy General Manager (Supply Chain)

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

Caner TÜRKYENER

Deputy General Manager (Technical)

After graduating from the Department of Chemistry at the Middle East Technical University, Caner Türkyener began his career as a Chemical Engineer at the Çimsa Kayseri Plant in 2001. Mr. Türkyener was transferred to Çimsa's Mersin Plant as an R&D engineer on 1 April 2002, where he also worked as a Production Engineer at the 2nd Plant Semi-Product, and a Semi-Product Production Supervisor at the 2nd Plant between 2002 and 2007. He worked as the Production Manager at Çimsa's Eskişehir Plant between 2007 and 2012, and as Manager of the Çimsa Niğde Plant between 2012 and 2014. After working as the Manager of Çimsa's Kayseri Plant for a short period, Mr. Türkyener was appointed as the Regional Director in charge of the Kayseri and Niğde provinces on 1 July 2014. He was appointed as the Regional Sales Manager for the Kayseri-Niğde provinces on 1 May 2015 and as the Deputy General Manager in charge of Ready-Mixed Concrete on 16 January 2017. Since 16 November 2018, he has been working as the Deputy General Manager in charge of Technical operations.

Hüseyin ÇAĞLAR

Deputy General Manager (Sales and Marketing) (as of 01 November 2018)

Hüseyin Çağlar graduated from the Istanbul Atatürk Science High School in 1991 and the Department of Mechanical Engineering at Boğaziçi University in 1996. Starting his career at Procter & Gamble in Turkey, Mr. Çağlar assumed roles in the sales and marketing departments at different levels in Turkey's different regions over a period of 16 years. Following, He worked at the P & G European Headquarters in Switzerland for three years. In 2012, Hüseyin Çağlar was appointed as the Turkey Sales Director of the Vodafone Turkey, then he worked as the Sales Director for the Enerjisa Retail Companies since 2016. He was appointed as the Deputy General Manager in charge of the Çimsa Domestic and Foreign Sales and Marketing on 1 November 2018.

Tuğba ÇÖRTELEKOĞLU

Deputy General Manager (Corporate Development and Human Resources) (as of 02 January 2019)

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

Bilgen ÇAĞLI

Deputy General Manager (Corporate Development and Human Resources) (until 06 July 2018)

Bilgen Çağlı graduated from the Department of Psychology at the Middle East Technical University in 1993, and completed a master's degree from the Department of Business Administration at Istanbul University. She started her career at Ankara University as a Human Resources and Corporate Communications Specialist in 1993. Ms. Çağlı continued to work as the Human Resources Manager at the Akkök Group of Companies between 1998 and 2003, and worked as the Human Resources Manager in charge of the Vestel companies owned by the Zorlu Group between 2003 and 2007. Thereafter, she worked as the Human Resources Director in charge of the Anel Group of companies, as well as at Erdemir Demir Çelik A.Ş.; Ms. Çağlı then worked as the Deputy General Manager in charge of Corporate Development and Human Resources at Çimsa from 27 May 2013. She left her position on 6 July 2018.

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Gürol ÖZER
Deputy General Manager (Cement Operations and Investments) (until 30 November 2018)
Born in Tarsus in 1969, Gürol Özer graduated from the Department of Electrical and Electrical Engineering at the Middle East Technical University in 1991. He completed a master's degree in the Department of Electrical and Electronics Engineering of the Çukurova University in 1996. He started to work at Çimsa in 1995 and served in various positions in the production and investment departments until he was appointed as the Automation and Control Systems Manager in 2007. He became the Information Technologies and Automation Manager in 2011, and the Technology Director in 2012. He was appointed as the Deputy General Manager in charge of Technical Operations on 01 July 2014. Mr. Özer underwent MBA training at the IEDC Bled School of Management. Since 1 April 2015, he worked as the Deputy General Manager in charge of Cement Operations and Investments. He left his position on 30 November 2018.

Dr. Önder KIRCA
Deputy General Manager (Innovation, R&D and Grey Cement Export) (until 30 November 2018)
Dr. Önder Kırca graduated from the Department of Civil Engineering at the Middle East Technical University in 1998 and completed master's and doctoral degrees in the Department of Civil Engineering at the same university. He worked as a Research Assistant in the Department of Civil Engineering at the Middle East Technical University between 1998 and 2000. He started working as the Cement Research and Application Engineer at Çimsa in 2000. He worked as the Cement Research and Application Supervisor between 2002 and 2006, as the Marketing Manager between 2007 and 2011 and as the Central Anatolia Region Sales Director between 2011 and 2014. Dr. Önder Kırca worked as the Deputy General Manager in charge of Ready-Mixed Concrete between 1 July 2014 and 31 March 2016. He was the Deputy General Manager in charge of Sales and Marketing at Akçansa A.Ş. between 1 April 2016 and 16 April 2017. He was appointed to the position of Deputy General Manager in charge of R&D and Business Development at Çimsa on 17 April 2017 and has worked as the Deputy General Manager in charge of Innovation, R&D and Grey Cement Export since 1 January 2018. He left his position on 30 November 2018.

Cem TALAY
Deputy General Manager (Grey Cement Sales and Marketing) (until 31 July 2018)
After graduating from the Department of Finance at Anadolu University, Cem Talay started his career as the Sales Representative at Akçansa in 1994. In 2007, Mr. Talay completed an MBA program, which was jointly realized by the Sabancı University and Kavrakoğlu. At Akçansa, Mr. Talay worked as the Karçimsa Cement West Black Sea Regional Manager, the Regional Manager for the Cement in the Central Black Sea Region, and then as the Sales Regional Manager for the North-West Marmara Region between 1994 and 2014. He began working for Çimsa in 2014 as the Regional Director in charge of the Eskişehir and Ankara provinces. He was appointed as the Regional Sales Director for the Eskişehir-Ankara-Afyon provinces on 1 July 2015 and as the Deputy General Manager in charge of Grey Cement Sales and Marketing from 16 January 2017. He left his position on 31 July 2018.

1.9 Restraint of Transaction and Competition with the Company

During the period, the members of the Board of Directors did not perform any actions that could be categorized as transactions with or competing against the company.

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2. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2.1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

2.2. SHAREHOLDERS

2.2.1. Investor Relations Department

At our Company, assignments have been made in order to ensure the execution of the Shareholders' General Meetings, the exercise of shareholding rights, share transactions and meeting shareholders' information requests Within the context of conducting relations with the shareholders by following up capital market regulations, our personnel serve the duties such as capital increases, keeping records related to the shareholders, public disclosures within the scope of the legislation and meeting information requests of the shareholders about the Company, including the website. The shareholders' questions on capital increases, dividend distributions, attendance to the General Assembly meetings are responded in verbal, written and digital forms (e-mail) with the exception of information that are trade secret or confidential. The Website was renewed so investors could obtain more regular information about the Company's activities and to access to all kinds of data related to the Company. All written and/or verbal information requests from investors were responded to on time. Tasks in the aforementioned department are fulfilled by the Financial Planning and Analysis Manager Özge ÖZCAN, and Tuncay KERTİŞ, who holds the SPL Level 3 Specialist License No. 214054 and Corporate Governance Rating License No. 702086, under the management of Eren MANTAŞ, who holds SPL Level 3 Specialist License No. 207668 and Corporate Governance Rating License No. 701434. Information may be obtained by e-mail from the address of e.mantas@cimsa.com.tr, o.ozcan@cimsa.com.tr, t.kertis@cimsa.com.tr, and by telephone from the following numbers: 0(216)554 70 16, 0(216) 554 70 64 or 0(216) 554 70 73.

The company takes every measure necessary to guarantee the satisfaction of investors. Within 2018, a total of 51 one-to-one and group meetings were carried out, including domestic and international conferences and roadshows. Furthermore, a total of 60 shareholders applied to the department for information on issues relevant to the shareholders, in particular on dividend pay outs and attendance to the General Assembly meetings, and all of these applications were responded in verbal and written form.

2.2.2. Exercise of Shareholder Rights to Obtain Information

Shareholders, who register their names on the attendance sheet of the latest General Meeting, those who reach us by e-mail or telephone and those who come to the Company in person are informed of financial and administrative issues. In order to expand shareholder rights to obtain information and provide a healthy exercise of their rights, the required information and documents alongside financial statements are offered to shareholders on our official website (www.cimsa.com.tr) in both Turkish and English in the compulsory declaration durations and they are kept updated. In 2018, requests for information pertaining to issues such as capital increases in previous period, dividend distribution information, stock changes and the transition to the registration system and general assembly were responded to by e-mail, telephone, fax and meetings carried out in person. Nine (9) shareholders were provided with information in written form concerning the withholding tax charged on dividends. In addition, fourteen (14) annual reports were requested and posted to shareholders. Shareholders may obtain up up-to-date information concerning the Company over the web site (www.cimsa.com.tr), material event disclosures submitted on the Public Disclosure Platform (www.kap.gov.tr) and newspaper announcements. There is no provision for the appointment of a special auditor in the Company's Articles of Association. No requests were received from the shareholders on this issue in 2018.

2.2.3 General Assembly Meetings

The Company issues the invitations of General Assembly Meetings in line with the Turkish Commercial Code, the Capital Markets Board legislation and Articles of Association. On 27 March 2018, the Annual General Meeting was held with a quorum of 73.96%. The results of the meeting were registered on 11 April 2018 and published on the Turkish Commercial Registry Gazette on 17 April 2018. The results of the Annual General Meeting were offered to shareholders on the Public Disclosure Platform (KAP), on our Company website (www.cimsa.com.tr) and on our Company's page on the information portal of the Central Registry Agency (MKK).

Interested stakeholders attended the Annual General Meeting either in person or electronically upon completing the required formalities. The invitation for the Annual General Meeting was made in line with the Turkish Commercial Code and the Articles of Association and this was approved by the Representative of the Ministry. The announcement and the agenda of the Annual General Meeting were declared to shareholders on the Public Disclosure Platform (KAP), on our Company's page on the information portal of the Central Registry Agency (MKK), in the Turkish Commercial Registry Gazette prior to the meeting. During the meeting, shareholders were given right to ask questions and provided with required information. The shareholders were also informed of donations amounting to a total of TL 129,065.55 made in the period (year 2017). The limit of donations to be made for the year 2018 was added in the meeting agenda as a separate article. The annual report was prepared and handed out to the shareholders attending the Annual General Meeting and the shareholders were provided with information on the activities of the previous year.

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

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

"Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media" (EGKS) issued by the Ministry of Customs and Trade in order to determine the code of practice of Article 1527 of the Turkish Commercial Code was published in the Official Gazette dated 28 August 2012 and numbered 28395. "Communique on Electronic General Assembly System to be Implemented in the General Assemblies of Joint Stock Companies" which regulates the procedures and principles regarding the establishment, operation, technical aspects and safety criteria of the electronic general assembly system was published in the Official Gazette dated 29 August 2012 and numbered 28396. Effective date of the said regulations was determined as 01 October 2012.

Pursuant to the third sub-clause of the 5th article of the Regulation on the General Assembly Meetings of Joint Stock Companies to be Held via Electronic Media, participating, representative assigning, tabling suggestions, commenting and voting in the general assemblies, which are to be held by the companies listed on the stock Exchange, via electronic media is required to be carried out through the Electronic General Assembly System (EGKS) provided by the Central Registry Agency (MKK).

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

The 4th sub-clause of article 415 of the Turkish Commercial Code resolves that the right to participate and vote in the general assembly cannot be dependent on the condition of receiving a document proving shareholding or depositing the share certificates in "advance". The new TTK has terminated the blockage system that was previously implemented in capital markets.

The system of granting proxy via notary, which was implemented in the previous TTK period, is preserved alternatively. Nevertheless, a legal novelty has been brought with the EGKS Regulation, which will make serious contributions to the general assembly practice, such as assigning the proxy electronically over the EGKS. Electronically assigned proxy can participate in the general assembly meeting electronically, or physically as a proxy. The list that includes the shareholders, which can be obtained by the Company from the MKK over the EGKS, shall also contain the information about proxy (such as proxy's name), which is granted via the EGKS. A proxy electronically assigned via the EGKS is not required to present a physical proxy document.

General Meeting procedure;

The General Meetings are chaired by the Chairman of the Board of Directors. If the Chairman is not present at the meeting, this duty is carried out by the Deputy Chairman of the Board of Directors. In the absence of these persons, the person to chair shall be elected by the General Assembly by a majority decision.

The Chairman shall determine the minutes of meeting clerk and the vote collector if he deems necessary, and thus, he/she establishes the team of meeting chairmanship. The Chairman of the General Meeting is obliged to ensure the compliance of the meeting with the Law.

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

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

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

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

2.2.4 Voting Rights and Minority Rights

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

2.2.5 Dividend Rights

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

2.2.6 Assignment of Shares

There are no provisions in the Articles of Association that restrict the assignment of shares.

2.3 PUBLIC DISCLOSURE AND TRANSPARENCY

2.3.1 The Website of the Company and its Content

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

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

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

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

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

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

Under these headings;

Company Information
Shareholding Structure
Senior Management
Board of Directors

Board of Directors Committees
General Assembly Information
Trade Registry Information
Articles of Association
Corporate Governance Compliance Report
Disclosure Policy
Dividend Distribution Policy
Remuneration Policy
Donation and Aid Policy
Frequently Asked Questions
Financial Statements
Annual Reports
The sections of the declarations of Material Event Disclosures.

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

2.3.2 Annual Report

The information stated in Corporate Governance Principles was disclosed in the annual report prepared in December.

2.4 STAKEHOLDERS

2.4.1 Informing the Stakeholders

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

Furthermore, the Company employees are informed through the quarterly Company newsletter, information sent by e-mails and the in-house trainings provided, over the Çimsa Portal and through annual information meetings.

Information is also provided through training and seminars organized, in addition to the annual meetings and promotions held for customers.

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

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

2.4.2 Participation of Stakeholders in the Management

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

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

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

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

2.4.3 Human Resources Policy

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

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

To date, there have been no complaints from Çimsa employees regarding discrimination in the Company.

2.4.4 Code of Ethics and Social Responsibility

2.4.4.1 Code of Ethics

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

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

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

Çimsa's Corporate Social Responsibility Approach

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

Çimsa continued its corporate social responsibility activities in 2018 as a brand that is aware of the importance and value of corporate social responsibility projects and providing benefit to society through these projects.

Planning and implementing its corporate social responsibility activities with a long term perspective and with the aim of creating lasting value, Çimsa carries out projects which focus on the environment and people, and which aim at increasing individual and social welfare levels.

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

This project was initiated by Çimsa in Niğde in 2011 with the participation of 32 children, and was aimed at contributing to their development. The total number of children who participated in the Çimsa Yaz Çocukları Project had reached 863 as of the end of 2018. In line with the project, one psychologist, three drama teachers and three physical education teachers provide two-week-long courses to children aged between 7 and 12.

In the first years, the project was realized with the participation of the children of the employees of the Niğde Plant of Çimsa. The project expanded to include children from nearby villages in the following years. The project, which has been ongoing for 7 years, was also realized in Mersin in 2016 and 2017. The project moved to Kayseri for the first time in 2018, and only 27 children participated in the project in one period from Kayseri.

Due to the Disability Week, in 2018, Çimsa contributed to the provision of 50 battery run wheelchairs to disabled individuals in collaboration with the Mersin Metropolitan Municipality. A total of 161 battery run wheelchairs were presented as gifts in the project continuing for 4 years.

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

Sponsorships

» In order to support sustainability efforts of the IMSAD (Association of Turkish Construction Material Producers), Çimsa supported the sustainability report of IMSAD.
» Organized by the Cement Manufacturers Association of Turkey (CBT) and brings together architecture students from across Turkey, the 17th BETONART Summer School of Architecture was carried out by Çimsa's support in order to support social development. Within the scope of the project realized at the Abdullah Gül University in Kayseri, the students became acquainted with soil and concrete. Young people who produced drawings of the work which they will implement went from the planning to implementation stages by prototyping their works of art and exhibited their work. Based on the theme of this year, 24 students, who participated in the summer school, created original works of art with the cement and concrete provided by Çimsa at the end of an intensive program.
» Çimsa provided support for the 1st Turkey Energy and Mining Forum held at the Istanbul Lutfi Congress Center under the auspices of the Ministry of Energy and Natural Resources in 2018. At the 1st Turkey Energy and Mining Forum bringing together all stakeholders of the sector, strategic importance of Turkey in the field of energy was emphasised, and investment opportunities that increased in 2018 were taken into the agenda.
» Çimsa supported the 11th Corporate Governance Summit held in 2018 by the Corporate Governance Association of Turkey (TKYD). The board members and senior executives of leading companies of Turkey met at the "11th Corporate Governance Summit" held on 17 January 2018. During this important Summit, in which both Turkish and foreign expert speakers participated, and which was closely followed by the financial press, the latest developments in corporate governance were shared with the participants with the support of Çimsa.

Events

» A Management Meeting was held on 2 November 2018 with the participation of the senior management of Çimsa and employees.
» On 18 September 2018, the 4th Construction Chemicals Seminar was held with the participation of the leading names of the sector.
» We attended the sector's most prestigious International Building and Construction Fair - the World of Concrete (WOC) - on 23-26 January 2018.
» Iftar (fast-breaking) meals were organized in cooperation with the municipalities of 5 cities where Çimsa's plants are located. A total of 18,500 people joined the iftar meals in the 5 provinces.
» On 8-11 March 2018, Çimsa met its dealers and business partners in Morocco, with similar meetings in Montenegro and Croatia between 24 and 27 April 2018.

Awards

- Çimsa was selected as the most successful company in the 'construction' category according to the Platinum Global 100 Index conducted in cooperation with the Platinum Magazine and Ipsos, an independent market research company, which identifies the companies that contribute most to Turkey.
- Çimsa has once again proven its leadership in the field of white cement and special products in the global market and its contribution to Turkey's economy. At the Export Champion Awards which was held within the scope of the Turkey Exporters Assembly (TIM)'s 25th Annual General Meeting, Çimsa took was ranked among the top three companies in the cement, glass, ceramic and soil products sector, with exports of around USD 103.8 million.
- Çimsa became the first cement company to be awarded the Superior Success Certificate by entering the top 10 at the İnovaLİG- the Innovation Awards organized by the Turkey Exporters Assembly (TIM).

Memberships

Çimsa closely monitors national and international sustainability efforts. It supports social development activities unwaveringly through its collaborations.

In addition to our existing memberships, Çimsa became a member of many new associations for the development of our sector and our country in 2018.

The memberships entered into in 2018:
- GCCA- The Global Climate Change Alliance
- ATC- The American-Turkish Council
- DEIK- The Foreign Economic Relations Board
- The YANINDAYIZ (we stand by you) Association

2.5 BOARD OF DIRECTORS

2.5.1 The Structure and Formation of the Board of Directors

The Board of Directors

Tamer SAKA	Chairman (From 1 April 2018) (*)
Mehmet HACIKAMİLOĞLU	Chairman (Until 31 March 2018) (*)
Serra SABANCI	Deputy Chairman
Gökhan EYİGÜN	Member
Barış ORAN	Member
Fatma Dilek YARDIM	Independent Member (From 27 March 2018)
Mehmet Nazmi AKDUMAN	Independent Member (From 27 March 2018)
Hasan Cihat ERBAŞOL	Independent Member (From 27 March 2018)
Mehmet KAHYA	Independent Member (From 27 March 2018)

(*) The Chairman of the Board of Directors Mr. Mehmet HACIKAMİLOĞLU resigned as of 31 March 2018, and Mr. Tamer SAKA has been elected in lieu, to hold the office for the remaining period and to be presented to the approval of the shareholders at the first General Assembly to be held. During the meetings held for the re-appointment of the Board of Directors, Tamer SAKA was appointed as the Chairman and Serra SABANCI was appointed as the Deputy Chairman of the Board of Directors.

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

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

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The Chairman and the Members of the Board of Directors are vested with the duties and authorities designated in the Company Articles of Association and in the relevant articles of the Capital Market Law and the Turkish Code of Commerce.

2.5.2 Operating Principles of the Board of Directors

The Çimsa Board of Directors consists of 6 members who are elected by the General Assembly, as stated in the Articles of Association. There are two independent members among those elected at the General Assembly. The members of the Çimsa Board of Directors are elected for a maximum period of three years as stated in the Articles of Association of the Company, and the members whose term has expired may be re-elected. The members of the Board of Directors elect a Deputy Chairman to act as the Chairman's deputy in their absence, as stated in the Articles of Association. The Board of Directors convenes at least once every three months (as required by the Articles of Association) to discuss the results of the monthly operations.

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

The Board of Directors convened 23 times in 2018 and took 54 decisions.

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

In the meetings held in 2018, there was no opposing opinions against the decisions taken by the members of the Board of Directors. No records were made since the members of the Board of Directors did not have any questions or different opinions. The members of the Board of Directors are not entitled to weighted votes and/or the right to veto with regard to the said decisions. Moreover, there was no Board of Directors decision, which was submitted for the approval of independent members of the Board of Directors but not approved by the independent members, and submitted for the approval of the General Assembly, regarding relevant party transactions and transactions of material nature.

2.5.3 The Number, Structure and Autonomy of the Committees Formed in the Board of Directors

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

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

In 2018, there were no conflicts of interest associated with the existing member structures of the committees.

2.5.4 Risk Management and Internal Control Mechanism

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

a) Auditing the compliance of the internal control systems of all units within central and field organizations and the international terminals, warehouses, and establishments of the Company with the corporate governance principles and the code of ethics. Auditing the adequacy and effectiveness of risk management practices. Preparing audit plans and programs and implementing these according to a pre-prepared Schedule.

b) Monitoring the practices related to the audit reports and ensuring that the operations and procedures are conducted within the framework of the agreement achieved and the instructions of the Headquarters.

c) Conducting examinations, research studies and investigations related to the special tasks assigned by the Chairmanship of the Board of Directors, the Ethics Committee, the Audit Committee and the General Manager. Presenting the results to the relevant authority as a report.

d) Supervising the implementation of Company regulations, procedures, circulars, and department-specific instructions, ensuring that they remain in effect and tabling suggestions on issues that need to be corrected.

e) Ensuring that the operations and transactions of all departments are carried out in compliance with directives such as the decisions of the Board of Directors, plan and budget targets, legislation, regulations, procedures, circulars and instructions.

f) Carrying out financial and economic analysis of the operations and transactions performed and developing suggestions to increase savings and efficiency.

g) Informing the Audit Committee continually of the audit activities and the adequacy of the internal control system. Implementing their requests and suggestions related on the topic.

h) Providing consultancy and support services for the senior management and the Board of Directors by conducting advisory studies for the objectives that will create added value such as assisting the Company in achieving its goals, increasing the stock value, improving corporate processes and operations, enhancing the service quality and customer satisfaction, etc.

i) Conducting Investigations and Examinations in response to inquiries received from the Ethics Committee and / or directly and preparing the relevant Investigation Report if deemed necessary, and sharing the findings with the General Manager and the Audit Committee.

It was resolved by the Board of Directors that the Internal Audit Manager should report to the Audit Committee.

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

2.5.5 Strategic Goals of the Company

The Primary strategic objectives are as follows:

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

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

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

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

2.5.6 Financial Rights

According to the Articles of Association, all kinds of rights, benefits, and remuneration granted to the members of the Board of Directors are determined by the General Assembly. A total (gross) payment of TL 165,000 was made to the members of the Board of Directors in 2018. In 2018, the Company did not lend money to any of the members of the Board of Directors and managers; did not disburse any loans; did not disburse loan to them through a third party under the name of "personal loan" and did not provide any guarantees for them such as bail in favour.

The total sum of remuneration and similar benefits provided for the senior management such as the general manager, deputy general managers in the current period amounted to TL 8,944,001. (31 December 2016 - TL 7,283,063)

3. COMPANY RESEARCH AND DEVELOPMENT STUDIES

One of the world's leading producers of special cements, Çimsa also continues its operations in innovation and customer support services in line with international standards. The 5th Center within Sabancı Holding and the 1st Center in the cement industry, an application for our R&D Center was submitted to the Ministry of Science, Industry and Technology of Republic of Turkey as of January 2017. The Center obtained the status of the Ministry approved R&D center on 28 February 2017. Çimsa, one of the leading companies continuously investing in innovation in the cement industry, brought Turkey's first cement R&D Center into operation in 2000. The Cement Research and Application Center located in the Mersin Plant has provided continuous technical support to both domestic and international customers for over 15 years. The basic functions of the Çimsa Cement Research and Application Center, which benefits from the high level of knowledge and skill of its staff in the cement product and in all areas it is used, are as follows:

» Preparing highly profitable new product development programs, which will make a difference in the cement sector and for the end users,
» Providing laboratory support to customers using Çimsa's cement products both at home and abroad and developing joint projects by visiting their facilities, and creating added value for the development of the market and informing the users about the Çimsa products and developing new usage areas.
» Increasing efficiency, product quality and stability in new product studies by supporting operation in production stages.

3.1 New Product Development Activities

The Çimsa Cement Research and Application Center's new product development activities are based on two pillars. Çimsa's primary objective is to both increase the prestige of Çimsa Cement in the world and to add products with high profitability into its product portfolio by developing pioneering cement types in the world. Within the framework of these studies, in the past two years, Çimsa has managed to develop the Self-cleaning White Cement and the Antibacterial White Cement products, which were produced for the first time in the world. The second primary objective regarding innovation is to help customers produce special products by using the Çimsa Cement products. The innovative products developed for customers include white concrete traverse, white cement based pumice production and Calcium Aluminate Cement based tile.

During the year, activities were carried out by R&D on four axes. These were basic research and development activities, application development activities, customer collaborations and production research and development activities. Six new projects, approved by the Ministry of Science, Industry and Technology, were launched in 2018. One (1) European Union supported Horizon 2020 project began to be implemented in May, and laboratory work on the project continued in 2018. At the end of the project, mortar with a high thermal conductivity coefficient and elasticity will be developed by the Formula House in cooperation with the Sabancı University in order to be used in geothermal heating systems.

In 2018, the R&D competencies and the employment of qualified personnel were stepped up, the production studies started to be given weight, and a complete project based work system has been transitioned into with the development of the R&D center philosophy.

Six of the seven projects initiated in 2017 were successfully completed. The European Union supported Horizon2020 project is in progress and the duration of the project has been defined as 42 months.

The R&D projects completed in 2018:
The projects were initiated in February 2018 and other projects were completed at the end of December 2018, except for UpCem.

1. INOVACEM: A new cement, which can harden with carbon dioxide, was developed for the first time in Turkey. It was baked at three different temperatures and the product with the desired phase properties was obtained by baking at 1,300 c, the most optimum value. The product was exposed to an aqueous medium but no hardening was observed. Due to its nature and structure, the product hardened in a concentrated CO_2 environment and gained a resistance of 4.7 MPa in 4 days. Prevention platforms for the carbon dioxide emissions which will occur in the future were prepared in advance, and the product was produced. The preliminary preparation phase of the utility model has been completed.
2. POOL+: The aim of this project was to expand the use of white cement in Turkey and to create a new market for white cement. A type of pool coating material is used in the pool construction sector, but can only be supplied at high cost from abroad. A new type of pool coating material was developed by using domestic resources and adding additional performance properties. Formula studies were carried out for the new generation pool coating materials that offer water impermeability, low expansion, crack bridging properties, and which add value to pools visually and that are environmentally friendly with the use of recyclable coloured glass aggregates. Product and marketing materials were completed.
3. RAPCURE: Turkey does not use a different cement in the production of aerated concrete except for the gray Portland cement. Improvements were achieved with Çimsa's special products, and physical, mechanical and thermal properties were improved. An aerated concrete product that saves money in the process is the innovative aspect of the project. By considering the pre-curing and cutting hardness parameters for the aerated concrete product, the final product was developed, which will benefit the product and process. With the new cement type used, the pre curing time was shortened in order to obtain a more economical product. White Portland Cement, which has the advantage of reducing the amount of cement use by 20%, reduces the density of the final product and a more insulated and lightweight aerated concrete compared to its competitors was obtained.
4. UPCEM: A gray cement project that will benefit the ready-mixed concrete sector. In the project, which is planned to reduce the concrete costs and improve the final product performance, both the kiln and mill operations were examined and characterization was made. Actions were taken with the discovery of intervention points. In the project, the iron ore trial, the 3-32 micron study and additive design studies are in progress.
5. BEYSADE: The project envisages the development of white concrete with insulation properties, and plans to develop the application areas of white cement. The study is planned to proceed from two branches. In the first step, structural exposed concrete was developed with different light aggregates. In the second step, it was observed that Inspira achieved a doze advantage compared to gray cement as a result of the experiments conducted with different precast companies.

6. IRONMAN: The aim is to develop the calcium aluminate flux (KAF) material that is used in the mining sector, especially in the iron and steel sector, for the efficiency of the combustion process and for the purifying purposes, within Çimsa and to ensure the production of this material with domestic resources. With this project, Çimsa entered a new segment. 120 tons of the product was obtained in industrial trials and the results of the analysis were shared with the iron and steel industry so it could try the product. The Calcium aluminate flux produced at Çimsa was the first and only such production in the sector in Turkey. In the calcium aluminate flux produced, the phase (mayenite) target was established as well as the target chemical composition. The mayenite (C12A7) phase was more than 75%.
7. Advanced Materials and Processes to Improve Performance and Cost-Efficiency of Shallow Geothermal Systems and Underground Thermal Storage – Horizon2020 EU Project: The Horizon project, which is 100% supported by the European Union, got underway in May 2017. With the joint study conducted with our partner in Turkey, Sabanci University, to be used in geothermal underground heating systems, studies to design mortar with high thermal conductivity, which are elastic, environmentally sensitive and fluid got underway. With this study, which will last for 42 months, the Çimsa R&D Center will have completed the first Horizon project. The financial and technical reporting for the 18th month was completed.
8. The Development of Acid and Heat Resistant Concrete Systems Teydep 1501 Tubitak Project: The project is aimed at designing a concrete system which will maintain its integrity and concrete properties at temperatures of up to to 1250 oC and pH values as low as 3 by producing synthetic acid and heat resistant aggregate and using it with calcium aluminate cement. The project, which started in the 2nd half of 2018, had realized the project targets as of the end of December.

In 2018, an application was tabled for 5 different project consortia within the scope of Horizon 2020. One project passed the first elimination stage and qualified for the 2nd Stage.

We passed the first round in Tübitak's 1007 Defence and Security Technologies project call, and the project proposal was submitted for the 2nd round.

3.2 Joint Project Activities with the Customer

Within the framework of the Cement Application Center support activities, the Cement Application Center is also responsible for informing users of the gray cement and Calcium Aluminate Cement through planned visits concerning cements, and not only white cement users. Joint studies have been carried out with customers of precast and building chemicals.

Joint activities performed with customers are listed below:

In 2018:

- A total of 95 customer visits (Building Chemical, Precast, Refractory) were carried out in 10 countries during the year and common project ideas were discussed,
- The technical support team reached a total of 520+ customers, including 300+ precast/concrete customers and 220+ building chemical customers, and their suggestions and their support needs in technical matters were responded to,
- The quality and production departments carried out joint studies by providing complete support to each other for solutions and reporting for customer complaints.
- Competitive analysis studies are carried out for gray cement, white cement and calcium aluminate cement and customer, product and service needs are determined every year. A total of 104 different cements were evaluated within the scope of competitor analysis.
- The Mirror project was launched and the recipro series is intended to be compared internally in terms of products and applications, and the results of the comparison will be converted into comprehensive technical data sheets. Analysis was carried out with the samples taken from the production periodically. According to the expectations of the practitioners regarding the end product, a technical data sheet was prepared, which will facilitate the selection of a product in the Recipro series.

In 2018, the titles of the topics covered in the technical bulletins prepared by the Formula House for our customers in the field of precast and building chemicals are listed below.

» Technical Advantages of Using White Cement in Prefabricated Manufacturing
» Application Areas of Ultra High Performance Concrete
» Performance of Alkaline Resistant Glass Fiber Reinforced Concrete
» The Effects of Calcium Sulfate Amount and Type on the Calcium Aluminate Cement Based Self-Leveling Screeds
» Investigation of the Relationship between Plasticizer and Retardant in Cemented Systems
» The Effect of Citric Acid and Lactic Acid Additives on Pressure and Flexural Strength in Triple Systems

A systematic is created on the eBA (work flow application) for the samples requested by the customer and the process is followed up.
The process of supplying the products requested from the sample request system and the dispatch of the sample is carried out through the eBA and the order is completed with a cargo shipping number.

3.3. Production R&D Activities

The scope of R&D activities was expanded in 2017 to include operations as well. Çimsa personnel, who are involved in the production function, were also included in the R&D projects by expanding the scope of R&D center personnel. Process improvement studies are ongoing at all plants and support is provided to analytical processes. The operational studies carried out in field processes are as follows.

Raw material processes
» Effect of Flourite resources on Cement Production and Applications
» Redmud Analysis
» Gypsum Analysis
» Use of Boron Waste
» Bauxite Analyses used by Çimsa

Clinker processes
» Weekly Clinker Analyses
» Investigation of the Effect on Clinker Properties of Fuel SO3 in Clinker Production
» Investigation of the cause of Low Pressure Resistance (Kayseri)
» Investigation of the cause of Low Pressure Resistance (Kayseri)-2
» Investigation of Change in Kiln Conditions
» White Portland Clinker Analysis
» The Akçansa Clinker and Cement Analyses

Cement processes
» CEM I 42.5 R Competitor Cement Comparison Study
» CAC40 Hardening Start Duration Postponement
» Cake Formation, Agglomeration, Clumping Phenomenon
» Analysis of Cement with High Pack-Set Value
» The Eskişehir Mill Quality Work
» CAC 50 Product Comparison
» White Portland Cement Product Comparison
» Eskişehir Strength Optimization Study
» The Çimsa USA White Cement Production Specifications
» USA raw material, Semi-Finished Product, Final Product Analysis

In 2018, studies on the product value chain were carried out. Raw material-process-clinker-cement-quality interactions were investigated and the following reports were prepared and then shared with the production teams. The reports were placed in the common access area to enable accessibility for all Çimsa personnel.

» Flourrite Sources and Usage in Cement
» Grinding Facilitator Chemical Additives and Cement Interactions

- Kaolen Report
- Marmara Terminal Product Report
- Afyon Cement Technical Analysis Report
- CAC50 Raw Material and Phase Investigation
- CAC50 Product Report
- CAC40 Product Report
- White Cement Product Report
- CSA Cement Process, Product and Application Report
- Cement Transfer Problem
- Use of Flux and Mineralizers
- Use of Boron Waste in Clinker
- Kayseri Flux Material Investigation
- Eskişehir White Processes

In 2018, efforts to establish an R & D Work Request via eBA were completed. The search, analysis and reporting stages of a total of 18 requests coming from all Çimsa plants were completed. The requests can be opened by all Çimsa personnel, including both internal and external customer requests. After this request is assigned to the R & D personnel and the search and interpretation of the analysis is completed, the reults are shared with the personnel who opened the request.

In 2018, in order to support production and to create infrastructure for process Improvement, current situation analyses were to be carried out for all Çimsa plants. For this purpose, critical process and product parameters were determined, aimed at determining the areas requiring improvement by comparing the proposed values with existing values.

3.4 Innovation and Special Products

- Çimsa owns Turkey's first and only Cement R&D Center.
- Çimsa succeed in obtaining international approval of the documents regarding the Environmental Product Declaration (EPD) for quantitative evaluation and the declaration of the environmental performance of the product for the Super White Cement (Çimsa Super White Cement) and Calcium Aluminate Cement products at the end of 2015.
- Çimsa notched up another proud achievement as the first Turkish company and the second company in Europe to be published in the cement class at the Eco-Platform established by the Construction Europe, European Association of Building Materials Manufacturers.
- Thanks to these certifications, the Calcium Aluminate Cement has become the world's first EPD certified calcium aluminate cement, while the super white cement has become the world's second EPD certified product in the field of white cement product.
- In addition, manufacturers of building products can also demonstrate environmental and sustainability sensitivity through declaration as a corporate responsibility.
- A patent application was made under the title of “Rapidly hardening Hydraulic binder” for one of our cement products which we developed. Certification was provided as a result of our application of the utility model for ‘Environmentalist Calcium Sulphoaluminate Cement’ which was produced as a prototype by using high volume of waste material.
- Collaboration between Industry and Academia was carried out, and joint studies were conducted with universities such as Sabancı University and the Middle East Technical University, and technically support was provided to students carrying out their master's theses.
- Çimsa participated in relevant domestic and international events throughout the year and closely monitored technological and scientific developments. Çimsa contributed to these conferences with presentations and descriptions of the studies carried out by its R&D department.

The 2018 conference and event participations:

- Colloquium on Refractories - Different Types of Bauxite Effect on Calcium Aluminate Cement Phase Formation, Characterization and Investigation of Refractory Properties
- Dry-mix Conference Chicago - Influence of Different Types of Cellulose Ethers and Cements on Cement Based Tile

Adhesive
» Dry-mix Conference İstanbul - Minimizing the Aging Effect of Self-Levelling Underlayment through Calcium Aluminate Cement's Mineralogical Phase Properties and Microstructural Development
» Concrete Roads18 - Calcium Aluminate Cement Based Repair Concrete Roads
» ACE 2018 - Technical Concrete Applications of Calcium Aluminate Cement: Novel Case Studies
» The 2018 Building Fair

Thanks to its participation in these events, Çimsa had the opportunity to meet its domestic and foreign customers on a common platform and establish a communication network with academic circles.

» Collaboration with strong companies was realized in the field of construction chemicals and polymers and project ideas were created.
» Our application for the Horizon 2020 project, work on which started in 2017, was accepted. The project work supported by the European Union and internationally partners are carried out by our R&D Center. The first 18-month segment of the project was completed.
» Our invention of "Rapidly hardening Hydraulic binder" was granted the First Preference Utility Model Certificate.
» With these applications, the goal was the production of calcium sulfoaluminate cement solely by Çimsa Cement in Turkey and to sell it in the world with our own patent.
» Çimsa obtains consultancy services from the Department of Civil Engineering at the Middle East Technical University. The Head of the Civil Engineering Department, Mr. İsmail Özgür Yaman, provides literature and laboratory support within the scope of the consultancy agreement for the studies on special products.
» The Cement Technologies and Applications course started to be offered at Sabancı University in 2016, and the course continued to be offered in 2018. In this context, employees at the Research Center provide information on innovations and applications in the cement industry by participating in the courses.
» In addition, Çimsa provides raw material support, free of charge, to students carrying out their thesis for their master's degree with its special products. Requests are evaluated regardless of the university they are received from, and an exchange of information is carried out.
» Specialised academics in the field of Construction and Materials from prominent universities in Turkey were hosted by the Çimsa Cement Research and Application Center in June 2016, where we exchanged information on our special products and production system. Areas for joint study were identified and graduate and post-graduate students were directed towards these subjects. As a result of this meeting, post-graduate students were encouraged to carry out academic studies using Çimsa's special products. In 2018, the studies with the subject matter of white cement and calcium aluminate cement have been observed to have increased.
» The Çimsa Research and Application Center continues to serve the sector in the fields of cement and concrete by adding advanced analysis methods to Construction Chemicals, Concrete, Grinding, Chemical and Mechanical Laboratories. These advanced analyses include polarized microscope examinations and Fourier Transform Infrared Spectrophotometer (FT-IR) examinations. In the projects deemed necessary, SEM (electron microscopy) examinations are carried out at the Mersin University central laboratory.
» Our solution partners' pool develops day by day, and we actively cooperate with other R&D centers in the sector.

3.5 Monthly Article and Patent Sharing

As of December 2016, R&D article and patent presentations were made regularly every month with the active participation of Çimsa personnel both face-to-face and in real-time over Skype. The following subjects were addressed in these presentations;
» Clinker Grinding and Fineness-Performance Relationships
» Kiln Operations
» Triple Systems
» Plaster Optimization
» Hydration Parameters
» Mineral Phase Formations in Cement and Its Performance Effects
» Alternative Raw Material Consumption
» Effects of SO3 and MgO on Portland Clinker
» Minimizing the variations in clinker quality
The developments in the sector have been closely monitored in patent and utility model sharing, and special products and new technological breakthroughs in the cement sector have also been examined and shared with internal participants.

3.6 Intellectual Property Rights

Patents and utility model applications and the certificates obtained are listed in the table below.

Application Type	The title of invention	Latest Situation	Country
First Preference Utility Model	Hydraulic Binder with High Alumina Ratio and Long Shelf Life	Application Stage	TR
First Preference Utility Model	Hydraulic Binder with High Performance that is Specialised For Construction Chemicals Applications	Application Stage	TR
First Preference Utility Model	Hydraulic binding agent with high reactivity	Application Stage	TR
First Preference Utility Model	Hydraulic binder that hardens rapidly	The Document was Obtained.	TR
Patent	Mayenite phase containing calcium sulfoaluminate cement	Application Stage	TR
Patent	Mayenite phase containing calcium sulfoaluminate cement	Application Stage	EU

3.7. The eBA R&D Center Work Request Module

Çimsa's Formula House has taken an important step towards digitalization, and a module has been created for both the sales and operation units to deliver their work requests to the R&D Center over the eBA system. The process, completed by the R&D Unit, will be reported to the relevant person and submitted for the evaluation and feedback will be received. This system, which is accessible to all Çimsa personnel, aims to transfer to the digital environment by providing benefit to our customers' processes and the cement production process. Thus, an important step was taken towards institutionalizing information.

4. COMPANY ACTIVITIES AND KEY DEVELOPMENTS REGARDING OPERATIONS

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

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

4.2 Information on the Company's Own Shares Acquired

Our Company did not acquire any of its own shares between 1 January 2018 and 31 December 2018.

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

The Ordinary General Assembly Meeting for 2017 was held on 27 March 2018. The meeting results were registered on 11 April 2018 and published in the Turkish Trade Registry Gazette on 17 April 2018. The results of the Annual General Meeting were published for the purpose of informing shareholders on the Public Disclosure Platform (PDP), on our company website (www.cimsa.com.tr) and on our Company page on the information portal of Central Registry

Agency (MKK).
No Extraordinary General Meeting was held between 1 January 2018 and 31 December 2018.

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

No administrative or legal sanctions were imposed upon the Company or members of the managing body as a result of practices contravening the provisions of legislation between 1 January 2018 and 31 December 2018.

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

As of 31 December 2018, in accordance with the opinions of legal advisers, the Group reserved a provision of TL 16,828,717 for lawsuits that may result in a verdict against the Group (31 December 2017: TL 14,930,295).

4.6 Donations Granted in the Period

Between 1 January 2018 and 31 December 2018, donations amounting to a total of TL 270,930 in cash and in kind were granted to various public institutions and organizations. (31 December 2017: TL 129,066)

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

The production and sales amounts for 2018 were exceeded the targeted figures and the consolidated gross profit and consolidated operating profit for 2018 stood at the level of targeted figures. The decisions taken at the Annual General Meeting held on 27 March 2019 were implemented.

4.8. Among all transactions carried out in 2018 with the controlling shareholder and affiliates of the controlling shareholder, cases where the transaction was performed or the measures taken, or avoided.

In 2018, in all transactions carried out with the controlling shareholder and the affiliates of the controlling shareholder, In case that the transaction is performed or the measure is taken or it is avoided, according to the terms and conditions known to the Board of Directors, there is no appropriate measure of counter-action in any transaction and no measures taken or taken to prevent damage to the Company, or that is avoided to be taken, and within this framework, there are no measures required to offset.

5- FINANCIAL STATUS

5.1 Measures under Consideration to Improve the Financial Structure of the Company

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

5.2 Key Financial Ratios

	Consolidated 31.12.2018	Consolidated 31.12.2017
Net Working Capital = Current Assets – Current Liabilities	-496,439,293	-236,380,619
I- Liquidity Ratios		
1-Current Ratio = Current Assets / Short Term Liabilities	0.65	0.80
2- Liquidity Ratio = Current Assets-Inventories-Prepaid Expenses – Assets Related to the Current Period Tax - Other Current Assets / Short Term Liabilities	0.46	0.63
II- Financial Structure Ratios		
1- Total Liabilities / Shareholders' Equity	1.40	1.28
2- Short Term Liabilities / Total Assets	0.41	0.37
3- Long Term Liabilities / Total Assets	0.17	0.19

5.3 Revenues

The total revenue for the period from 1 January 2018 to 31 December 2018 period stood at TL 1,700 million, increasing by 14% compared to the previous year.

6. RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

6.1 Risk Management Policy that the Company will implement Against Predicted Risks, if any

The company's investment and working capital requirements are financed by short and mid to long-term export loans and loans denominated in Turkish Lira and foreign currency.

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

Identification and monitoring of the probable risks that the company could encounter forms the basis of risk management. Corporate risk management practices are carried out in line with the risk management and practices procedure applied by group companies of Hacı Ömer Sabancı Holding A.Ş., one of our partners. The risks which the company could likely encounter were classified based on their priorities and critical risks are monitored by the senior management of the Company and the Board of Directors. The risks are insured under the local and global policies in accordance with Sabancı Holding's risk policies in order to minimize the risks, which could directly impact the Company's financial status, for all plants.

The Corporate Risk Management Department operates in order to ensure effective execution of corporate risk management. Processes to be applied for effective risk management on a company basis have been developed and implemented within the Risk Management Department. With the Corporate Risk Management Department, the company systematically measures, assesses and prioritizes the operational, financial, strategic and external risks which could prevent the company from reaching its general strategy and goals, and the company regularly monitors the identified critical risks.

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

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

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

7. AMENDMENTS MADE IN THE ARTICLES OF ASSOCIATION DURING THE PERIOD

There was no amendment to the Articles of Association between 1 January and 31 December 2018.

8. QUALITY AND AMOUNT OF ISSUED CAPITAL MARKET INSTRUMENTS IF ANY

No capital market instruments were issued.

9- DEVELOPMENTS IN THE SECTOR AND MAJOR FACTORS AFFECTING THE SECTOR

According to the data of the Turkey Cement Manufacturers Association (TCMA), cement production in the Turkey market in the first ten months of 2018 declined by 4.7 % compared to the same period of 2017 and it stood at 63.29 million tons. In the same period, clinker production Increased by 5.06% and the total production stood at 61.05 million tons.

In the said period, domestic cement consumption decreased by 5.34% and stood at 56.29 million tons considering the TCMA member plants. Similarly, total consumption fell by 5.0% and stood at 58.18 million tons, including non-TCMA members.

An analysis of Turkey's domestic regional market for the first ten months of 2018 indicates that there was significant 10.8% increase in cement consumption realized in the Aegean region. Cement consumption decreased by 1.56% in the Central Anatolia Region, by 4.2% in the Eastern Anatolia Region, by 6.3% in the South-Eastern Anatolia Region, by 8.4% in the Mediterranean Region, by 8.6% in the Black Sea Region and by 9.1% in the Marmara Region. The share of the Marmara region in Turkey's total cement consumption stood at 25% in the first ten months of 2018.

Turkey's cement exports in the first ten months of 2018 decreased by 5.2% compared to the same period of the previous year to stand at 6.33 million tons. Clinker exports increased by 9.0%, with 4.70 million tons of sales realized. In particular, the sales to the United States, Syria, Israel, Colombia and West African countries form an important place within these exports.

10. THE POSITION OF ÇİMSA IN THE SECTOR WHERE IT OPERATES

One of the leading organizations of the Turkish industry, Çimsa was established in 1972. Today, Çimsa continues its activities with its 5 integrated plants located in Mersin, Eskişehir, Kayseri, Niğde, and Afyonkarahisar, a grinding plant in Ankara, and the Malatya Cement Packing Plant.

Çimsa is one of the world's top three brands in the field of white cement and is an international cement producer with its terminals located in Hamburg (Germany), Trieste (Italy), Sevilla and Alicante (Spain), Famagusta (TRNC), Constanta (Romania), and Novorossiysk (Russia).

Çimsa started to produce Ready-Mixed Concrete in Adana in 1988 with the Zeytinli Ready-Mixed Concrete Plant. With its 19 ready-mixed concrete plants operating in the provinces of Adana, Mersin, Kahramanmaraş, Kayseri, Nevşehir, Aksaray, Karaman, Adapazarı, Bursa, Eskişehir, Denizli, Niğde, and Afyon, Çimsa has an extensive distribution network.

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

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

11. PROJECTIONS ON THE DEVELOPMENT OF THE ENTERPRISE

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

12. PRODUCTION UNITS AND PRODUCTION QUANTITIES OF THE COMPANY

The Mersin Plant

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

Started production in 1975, the plant's first production line has a double cyclone line pre-heated rotary kiln line without calcination, which has a diameter of 5.25 m and a length of 83 m. In 1983, it was modernized with the addition of coal grinding and burning systems in order to save on fuel costs. There are two crushers, one pre-homogenization unit, two raw meal mills with ball, two raw meal silos, and two closed clinker stock halls at the plant. With the modernization work completed in the first quarter of 2010, the existing planetary clinker cooling system was replaced and the FLS SF-Cooler type cross-bar cooling system was installed. With this investment, the production capacity reached 3,700 tons/day and the heat consumption required for clinker production was also reduced. In 2016, with the improvements in kiln feeding and kiln combustion systems, the capacity reached 3,750 tons/day.

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

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

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

Commissioned in December 1999, the Hacı Sabancı White Cement Production Plant (the Plant's Third Production Line) has a rotary kiln with a 3.75 m diameter and a 57 m length and a production capacity of 2,000 tons/day. The plant consists of a raw material mill with a crusher and pre-homogenization systems, one coal mill, one raw meal silo, a rotary kiln and the clinker stock hall. In 2016, with the improvement work carried out on raw materials, the capacity reached 2,020 tons/day.

This production line, operating as the Calcium Aluminate Cement Production Plant (abbreviated as the CAC Plant), was commissioned in 2002 with its kiln having a capacity of 15,000 tons/year.

In 2007, the Çimsa Mersin Plant continued its production by growing with a second kiln with a capacity of 15,000 tons/year, a cement mill with a 9 tons/hour capacity and a packaging unit. With the packaging unit built in 2009, products started to be offered to customers in 25 kg bags, on pallets and in the 1.5 and 1.0 tonne big-bag type packages. A third kiln with a capacity of 15,000 tons/year was added to the system in 2013, thus increasing the total capacity to 45,000 tons/year. In 2014, the coal mill investment was implemented, bringing fuel costs down and increasing the performance of the kiln. In 2014, as required by the strategy of growing in the market, segmentation in products was implemented and a new product called CACSAND, which is a Calcium Aluminate Clinker Aggregate, was introduced into the market. In 2018, CAC50 and the Flux product, which is often used in the iron and steel industry, were developed, and the domestic and national product was added to the product range.

Paper Bag Facility

Paper bags, which are produced at the paper bag facility at the Mersin Plant, are used in the Mersin, Kayseri, Niğde, Eskişehir and Ankara Plants. Three colours can be printed on the bag, and with the improvement carried out in 2017, six colour printed bags can be produced.

Kayseri Plant

The Çimsa Kayseri Plant was established in 1992 by Akçimento, a Sabancı Holding company, with a cement grinding and packing capacity of 1.6 million tons, and it was acquired by Çimsa in 1995. In 2005, a pre-crusher system was added to the cement mill in order to increase the cement grinding capacity and reduce energy consumption. In order to turn the existing facility into an integrated cement plant, the foundations of a clinker production line were laid on 9 October 2004, and following the completion of the construction, installation and commissioning operations, the first clinker production was realized on 26 December 2005. The facility uses state-of-the-art technology, and has an ILC type pre-calcination system with low NOx emission as the main unit, a five-stage cyclone pre-heater and a rotary kiln 55 m in length and 3.6 m in diameter. The plant, with a clinker production capacity of 2,500 tons/day also contains one raw material crusher, clay and limestone pre-homogenization facilities, one ball coal mill, one vertical raw meal mill and two ball cement mills.

As a successful outcome of Çimsa's approach of respect for the environment and sustainability, in 2012, the Çimsa Kayseri Plant was selected as Turkey's cleanest industrial establishment and awarded the Environmental Certificate by the Ministry of Environment and Urbanization at "Clean Turkey" events carried out within the scope of the 5th June World Environment Day. It was also selected as "The Cleanest Industrial Establishment in Kayseri" by the Governorship of Kayseri. In addition, the Çimsa Kayseri Plant received the Occupational Health and Safety Performance Award in 2009-2011-2012 and 2015 in the assessments carried out in the sector by the Cement Industry Employers' Association (ÇEİS).

The Eskişehir Plant

The Eskişehir Cement Plant was commissioned in 1957 with a wet kiln of 3.6 m in diameter, 125 m in length, with a 150,000 tons/year capacity, and continued its production until 1987. The current first production line was commissioned in 1976 with a three stage pre-heater and a dry system kiln with a 3.6 m diameter and a 52 m length and a capacity of 275,000 tons/year, and thus, the total capacity was increased to 425,000 tons/year.

The Eskişehir Plant was transferred from the Saving Deposits Insurance Fund (TMSF) to Çimsa Çimento Sanayi ve Ticaret A.Ş. on 27 December 2005. After being taken over by the Çimsa management, the clinker production capacity reached 1,750 tons/day in May 2007 at the first production line with the investments to add a dynamic separator to the raw material mill, the complete renewal of the existing clinker cooling system, the rotary kiln burner and dosage system, and the new electro-filter units added to the kiln line.
In addition, a new closed circuit cement mill with a capacity of 85 tons/hour was commissioned.

A completely new coal vertical mill system with a capacity of 40 tons/hour, which is able to serve both production lines, was commissioned in September 2007 and the previous coal systems were decommissioned. In January 2008, the second production line with a capacity of 2,100 tons/day was commissioned and the total production capacity reached 3,850 tons/day. At the Eskişehir Cement Plant, which turned into a modern production facility with the raw material crusher and raw material pre-homogenization system built together with the second production line in January 2008 and the cement silos built in 2009, three cement ball mills serve in the production of the final product. With a goal of becoming a leading company in Turkey in the area of waste disposal, Çimsa implemented the Hot Disc Project at the Eskişehir Plant in 2012, thus bringing the kiln process operation and product quality under control. It continues its efforts to recover 39.9% of its total calorific consumption from wastes.

In 2015, Çimsa broke new ground in its sector when it was eligible to obtain the TSE ISO 10002 Customer Satisfaction Management System Certificate.

The Eskişehir Plant modification project, which was announced in 2015, was completed.

The Gray Klinker - White Clinker alternate production investment, carried out a cost of USD 55 million, consisted of raw material homogeneity and transmission lines, a raw meal mill, preheater and heat exchanger, calcination, rotary cooling, a clinker silo, a cement mill, silos and a packing facility.

The white cement production part of the project was completed in 2018. The traveling crane system was removed simultaneously with this investment. The feeding systems of all the mills were changed into the dust-free system and the additive feeding stock hall investment will also work alongside with it. In addition, the 2nd cement mill was modernized and made suitable for producing white cement.

The Niğde Plant

Established in 1957, the Niğde Cement Plant started production in 1964 following the completion of its wet system production line with a capacity of 85,000 tons/year. The plant's total production capacity was increased to 350,000 tons/year with the commissioning of its second production line with a dry system on 2 September 1976. In the following years, the wet system clinker line, which had completed the economic and technological life, was stopped and production continued with the rotary kiln with dry system.

After the privatization of the plant, the capacity of the kiln increased from 850 tons/day to 1,200 tons/day following the investments undertaken at the rotary kiln unit in 1993, such as the upper cyclone replacement, modernization of transfer, and replacement of electro-filter. In line with the Competition Council's decision to terminate the "Sabancı and Oyak" partnership, the Oysa Niğde Cement Plant was renamed as the Çimsa Çimento San. ve Tic. A.Ş. Niğde Cement Plant on 01 November 2007. It has been continuing its production under this name since then.

After it was taken over by Çimsa, numerous improvements were carried out in order to increase production and energy recovery at the Niğde Cement Plant, which reached a clinker production capacity of 1,400 tons/day. In addition to the rotary kiln with a diameter of 3.8 m and a length of 52 m with a four-stage pre-heater and cross-bar cooler, the plant, which has a single production line, consists of one hammer crusher, one raw meal ball mill, one coal vertical mill, and one cement mill with a roller press crusher system.

The Çimsa Niğde Plant was commissioned in June 2017 after its capacity expansion investment. With this investment, the cooling tower modernization, transforming the electrofiltration into bag filter, mantle change and building of new five-stage pre-heater, calcinator and tertiary line, the installation of a new vertical mill in pace of the raw meal ball mill and a clinker cooling capacity increase were realized at the plant. Afterwards, the semi-product main equipment was completed, and the plant reached a clinker production capacity of 2,250 tons/day.

The Ankara Cement Grinding and Packaging Plant

Work on the construction of the Ankara Lalahan Cement Grinding and Packaging Plant began in January 2001 and the plant was commissioned in July 2002. In 2005, it was included within the Çimsa group together with the Eskişehir Cement Plant. At the Ankara Plant, which does not have a rotary kiln, the clinker supplied from other Çimsa plants are grinded, turned into cement and sold.

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

The Malatya Cement Packaging Facility

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

The Afyon Plant

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

The Afyon Cement Industry Turkish Joint Stock Company (Afyon Çimento Sanayi Türk Anonim Şirketi), 51% of the shares in which were purchased by Çimsa on 31 May 2012, has continued its activities as a subsidiary of Çimsa since this date. The Afyon Cement Plant, which was incorporated into Çimsa in 2012, has a new production facility equipped with modern technology and established with an investment of USD 165 million, with an annual clinker production capacity of 1,650,000 tons/year and a cement production capacity of 2,000,000 tons/year of in the village of Halımoru outside the city of Afyon. The plant started production and sales activities in April 2017. After the new plant was brought into operation, the old plant was decommissioned.

Information on the Çimsa Plants

Production Lines	Clinker Production Capacity (Tons/Day)	Raw Meal Kiln Diameter (m)	Cooler Type	Mill Type
Mersin Çimsa				
1st Plant	3,700 grey clinker	5.3	Cross-bar cooler	Ball mill
2nd Plant	1,845 grey clinker	3.6	Cross-bar cooler	Roller mill
or				
2nd Plant	1,515 white clinker	3.6	Cross-bar cooler	Roller mill
3rd Plant	2,020 white clinker	3.8	Rotary Cooler	Roller mill
1. Isıdaç 40	55 Isıdaç-40 clinker			
2. Isıdaç 40	55 Isıdaç -40 clinker			
3. Isıdaç 40	55 Isıdaç -40 clinker			
Kayseri Çimsa				
Production Line	2,500 grey clinker	3.6	Cross-bar cooler	Roller mill
Eskişehir Çimsa				
1st Production Line	2,250 grey clinker	3.6	Cross-bar cooler	Ball mill
or				
1st Production Line	1,250 white clinker	3.6		Ball mill
2nd Production Line	2,300 grey clinker	3.6	Cross-bar cooler	Vertical mill
Niğde Çimsa				
Production Line	2,250 grey clinker	3.8	Line	Vertical mill
Afyon Çimento Sanayi Türk A.Ş.				
1. Production Line	5,000 grey clinker	4.8	Line	Roller vertical mill

Grinding Plant	Mill Production Capacity (Tons/Day)	Mill Diameter (m)	Mill Cement Length (m)	Mill Type
Ankara Çimsa	2,040	4.2	13	Ball mill

The 1 January-31 December 2018 Period Production Amounts

Clinker Production	(Tons)	Cement Production	(Tons)
Grey clinker	4,474,379	Grey cement	4,530,479
White clinker	1,220,427	White cement	1,215,744
ISIDAÇ-40 clinker	30,790	ISIDAÇ-40	33,455
Sulfate Resistant Cement clinker	64,972	Sulfate Resistant Cement	26,212
Total	5,790,568	Total	5,805,890

Ready-Mixed Concrete Facilities

Çimsa Ready-Mixed Concrete started its production in Adana with the Zeytinli Ready-Mixed Concrete Plant in 1988. With a total of 19 ready-mixed concrete plants operating in the Adana, Mersin, Kahramanmaraş, Kayseri, Nevşehir, Aksaray, Karaman, Adapazarı, Bursa, Eskişehir, Denizli, Niğde, and Afyon provinces, Çimsa has an extensive distribution network.

The Company closely follows technological and scientific developments and offers the developments to its customers as new products, new equipment pool and services. At the plants, with experienced employees, a total of 214 transmixers are used along with 59 mobile and 5 fixed pumps.

With its distinguished customer-oriented approach, Çimsa offers special concrete products that meet the changing needs of its customers, as well as standard concrete.

Most of the chemical additives used in the Çimsa ready-mixed concretes are produced at the Çimsa Additive Production Plant, which is CE-certified in compliance with the TS EN 934-2 standard. The plant, which provides different products in line with demand, including super and hyper plasticizers, sets itself apart with its commitment to product quality.

Çimsa's 19 ready-mixed concrete plants, which are members of the Turkish Association of Ready-Mixed Concrete (THBB), hold Quality Assurance System (QAS) and G certification in compliance with the TS EN 206 standard. All of the plants undergo at least six product inspections and one comprehensive certification audit every year. In addition, Çimsa Ready-Mixed Concrete, which has held the ISO 9001:2008 International Quality Management System Certificate since 2003, has successfully maintained the continuity of its Quality Management System until 2018 thanks to its production, internal audit and customer satisfaction activities in compliance with the standards it maintains.
Çimsa carries out its OHS activities at its ready-mixed concrete plants within the framework of a management system compliant with the TS 18001 standard, in order to raise occupational safety awareness, to monitor OHS risks and to define the requirements that need to be fulfilled for improving the OHS performance. All plants hold the TS 18001:2008 (OHSAS) and TS EN ISO 14001-2004 (ENVIRONMENT) certificates.

13. INTERNATIONAL CONNECTIONS AND TERMINALS ABROAD

Cimsa Cement Sales North GmbH (Germany)

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

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

Cimsa Adriatico S.R.L (Italy)

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

Cimsa Cementos Espana S.A.U. (Spain)

With its terminal located at Sevilla since 1996, Çimsa reaches Spanish white cement consumers directly and thus increases the effectiveness of marketing activities of its cement. The white cement, produced at the Mersin Cement Plant, arrives at the Sevilla Port in bulk by means of vessels. It is transported via cement trailers from the port to the two 5,000 tonne silos owned by Çimsa Cementos. Besides the packaging facility with a 125 tonne/day capacity located at the terminal, there is also a facility producing white cement mixed flooring material at the terminal.

Çimsa Cementos has been marketing Çimsa's white cement in the Seville, Madrid, Cordoba, and Granada markets since 1996. In addition, ISIDAÇ 40 (Calcium Aluminate Cement) is transported from Turkey in bags and is again sold from the terminal.

The Alicante Terminal was built on an area of 6,877 m^2 at the Alicante Port, with the aim of increasing the focus on the consumers in Spain, which is Europe's most important white cement market. The white cement produced at the Mersin Cement Plant arrives at the Alicante Port in bulk in vessels. From here, it is transferred to the 10,000 tonne capacity silo at the Alicante Terminal with the help of a pneumatic Kovako through underground pipes. The delivery of the cement stored at the silos to the packaging machine and bulk filling building is carried out automatically by means of pneumatic conveyors and elevators. Cement is offered to the customer via the sieves, placed in these areas before filling, with the removal of foreign materials and clods, which may have been mixed during transportation. There is one rotary type packaging machine at the Alicante Terminal with a capacity of 1,050 bags/hour and one palletizer with a capacity of 2,240 bags/hour. The packing machine is equipped with an electronic weighing system and transports the bags within the predetermined weight limits (± 25 kg) to the palletizing unit via a conveyor.

Dust that may be generated during the filling process is collected by the filter system and automatically returned to the packaging machine. The operational status of the machine equipment is checked on monitors with visual and audible signals. The Alicante Terminal, which is one of the most modern cement terminals in Spain, consists of three main units, including 127 m^2 of office space, a 1,232 m^2 packaging building and the bulk filling building.

The Alicante Terminal has been in operation since 2011 and caters to the Spanish market, the most important white cement consumer in Europe. The terminal has been marketing Çimsa's white cement in the Alicante, Murcia, Valencia, Catalonia, Toledo, Madrid and Gijon markets since June 2011.

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Çimsa Cement Free Zone Ltd. (TRNC)

Çimsa has been serving this market since 2005 with a terminal which has a storage capacity of 5,000 tons of gray cement, established at the Famagusta Free Port and Zone in the Turkish Republic of Northern Cyprus (TRNC).

Gray cement produced by Çimsa at the Mersin Cement Plant is transported to the Cyprus Famagusta Port from the Mersin Port by sea, and pumped to the Çimsa Cement Free Zone silos from the vessels through unloaders. Cement is sold in bulk from the silos according to the level of demand in the market. For customers who demand bagged cement, the bagged cement is imported from the Çimsa Mersin Plant and the marketing activities are carried out.

Cimsarom Marketing Distributie S.R.L. (Romania)

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

OO Cimsa Rus CTK (Russia)

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

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

Cimsa Americas Cement Manufacturing and Sales Corp. (USA)

Çimsa participated in the company, named Cimsa Americas Cement Manufacturing and Sales Corp., in the United States founded with a capital of USD 14 million in 2017 as a 100% founding partner. The Company's field of activity has been determined as cement production, sales, and marketing. The company started investment activities and the investment process is still ongoing.

14. PERSONNEL MOVEMENTS AND COLLECTIVE BARGAINING ADMINISTRATION

14.1 Number of Personnel

A total of 1,179 personnel were employed at the Çimsa group workplaces included in the consolidation (including Çimsa terminals abroad and Afyon Çimento) as of 31 December 2018.

In the 1 January - 31 December 2018 period, a total of 134 personnel left their positions while 117 personnel were employed at the Çimsa group workplaces included in consolidation.

14.2 Collective Bargaining Administration Practices

The Collective Bargaining Agreement was signed for 2 (two) years in a way to cover the period between 1 January 2018 and 31 December 2019 with a consensus achieved during the collective bargaining negotiations between the Union of Cement Employers (ÇEİS) and T. Çimse-İş Union held in February 2018.

14.3 Compensation and Fringe Benefits for Personnel

The personnel categorized as out-of-scope (white collar) are provided with a total gross remuneration package consisting of 12 gross salaries and 4 gross bonuses paid in March, June, September and December. As defined in the relevant Company procedures, white-collar employees may receive fringe benefits, such as private life insurance, private health insurance, an employer-contributed private pension plan, a corporate mobile phone line, a corporate smartphone device, a company car, a meal card, personnel transport service depending on the scope of the work and the position. The personnel categorized as in-scope (blue collar) are provided with a total gross remuneration package consisting of 12 gross salaries and 4 gross bonuses paid in March, June, September and December. In addition to payment of gross social benefits provided for 12 times a year and hour-based shift premiums related with night work, other social

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benefits are provided in such situations such as marriage, moving, birth, and death. Also, a seniority incentive bonus may be provided within the scope of the Collective Bargaining Agreement that is in effect.

15. CENTRAL AND OFF-CENTRAL ORGANIZATIONS

	Address	Contact Information
ÇİMSA HEADQUARTERS	Kısıklı Cad. No:4 Sarkuysan - Ak İş Merkezi S Blok Altunizade/İstanbul	Telephone: (216) 651 53 00 Fax: (216) 651 14 15
CEMENT PLANTS		
Çimsa Mersin	Toroslar Mah. Tekke Cad. Yenitaşkent/Mersin	Telephone: (324) 454 00 60 Fax: (324) 454 00 75
Çimsa Kayseri	Malatya Karayolu 35. Km Bünyan/Kayseri	Telephone: (352) 712 16 07 Fax: (352) 712 16 90
Çimsa Eskişehir	İstanbul Karayolu 22. Km Çukurhisar/Eskişehir	Telephone: (222) 411 32 00 Fax: (222) 411 31 31
Çimsa Ankara	Karşıyaka Mah. Fırat Cad. No: 3 Lalahan/Ankara	Telephone: (312) 865 23 96 ax: (312) 865 23 95
Çimsa Niğde	Hacı Sabancı Bulvarı, Niğde	Telephone: (388) 232 36 30 Fax: (388) 232 36 34
Çimsa Malatya Terminal	TCDD Yanı Çimento Dolum Tesisi Battalgazi Malatya	Telephone: (422) 841 36 77 Fax: (422) 841 32 30
Çimsa Çimento San. ve Tic. A.Ş. / Mersin Free-zone Branch	Yalçın Alaybeyoğlu Bulvarı Parkur İş Merkezi Ofis No:209 Serbest Bölge/Mersin	Telephone: (324) 233 47 65 Fax: (324) 233 47 66
Afyon Çimento Sanayi T.A.Ş.	Halımoru Köyü Almacık Mevkii 03030 Merkez- AFYONKARAHİSAR	Tel : 444 80 03 (272) 220 80 00 Fax: (272) 214 72 09
READY MIXED CONCRETE AND AGGREGATE PLANTS		
Zeytinli Ready Mixed Concrete Plant	Adana - Mersin Yolu Üzeri 17. Km Kestel Mevkii Zeytinli Seyhan/Adana	Telephone: (322) 441 19 01/(3hat) Fax: (322) 441 18 99
Misis Ready Mixed Concrete Plant	Hacı Sabancı Organize Sanayi Bölgesi 6. Cadde Misis Yüreğir/Adana	Telephone: (322) 394 34 20/21 Fax:(322) 394 34 22
İncirlik Ready Mixed Concrete Plant	Güzelevler Mah. Girne Bulvarı Bossa – 2 Fab. Yanı Yüreğir/ Adana	Telephone: (322) 346 02 39 Fax: (322) 346 02 49
Osmaniye Ready Mixed Concrete Plant	Tüysüz Beldesi Yolçatı Mevkii D-400 Karayolu Üzeri Toprakkale/Osmaniye	Telephone: (328) 633 24 59 Fax: (328) 633 24 60
Kahramanmaraş Ready Mixed Concrete Plant	Kayseri Yolu Üzeri 2. Km Galericiler Sitesi Bitişiği Kahramanmaraş	Telephone: (344) 234 13 10 Fax: (344) 234 13 11
Kozan Ready Mixed Concrete Plant	Kozan Organize Sanayi Bölgesi İçi Kozan/Adana	Telephone: (322) 529 20 21 Fax: (322) 529 20 22
Anbar Ready Mixed Concrete Plant	Ankara Karayolu Üzeri Ambar Mevkii Bölge Trafik Arkası/Kayseri	Telephone: (352) 326 92 43 Fax: (352) 326 92 46
Nevşehir Ready Mixed Concrete Plant	Niğde Yolu Üzeri 7.Km. Göre/Nevşehir	Telephone: (384) 232 83 95 Fax: (384) 232 82 62
Yenihal Ready Mixed Concrete Plant	Bahçelievler Mah. 1097 sok. No:2 Yenihal Yolu Yalınayak Kasabası/Mersin	Telephone: (324) 235 73 14 Fax: (324) 235 73 17

	Address	Contact Information
Tarsus Ready Mixed Concrete Plant	İşyerinin Adresi Çamlıyayla Yolu, Eshab-ı Kehf Yol Kavşağı, Tarsus/Mersin	Telephone: (324) 627 27 97 Fax: (324) 627 17 57
Silifke Ready Mixed Concrete Plant	Kabasakallı Köyü Gökçeboyu Mevki, Silifke/Mersin	Telephone: (324) 714 42 66 Fax: (324) 714 42 66
Aksaray Ready Mixed Concrete Plant	Organize San. Bölgesi Aksaray	Telephone: (382) 266 21 16 Fax: (382) 266 21 18
Karaman Ready Mixed Concrete Plant	Organize San. Bölgesi Karaman	Telephone: (338) 224 10 26 Fax: (338) 224 10 92
Ereğli Ready Mixed Concrete Plant	Konya Yolu Üzeri 3. Km. Ereğli/Konya	Telephone: (332) 710 00 51 Fax: (332) 710 00 52
İnegöl Ready Mixed Concrete Plant	Cerrah Kasabası Kalburt Mevkii Dereboyu - İnegöl/Bursa	Telephone: (224) 714 22 00 Fax: (224) 714 22 03
Adapazarı Ready Mixed Concrete Plant	Orta Mah. Plevne Cad. No: 31 Sakarya	Telephone: (264) 373 72 00 Fax: (264) 373 72 11
Osmaneli Ready Mixed Concrete Plant	Camikebir Mah. Çörektepe Mevkii Osmaneli/ Bilecik	Telephone: (228) 469 21 32 Fax: (228) 469 21 31
Bilecik Ready Mixed Concrete Plant	1. Organize Sanayi Bölgesi 8. Cadde No: 3 Merkez/Bilecik	Telephone: (228) 216 00 23 Fax: (228) 216 00 22
Eskişehir Ready Mixed Concrete Plant	Muttalip Yolu 500. Metre – Eskişehir	Telephone: (222) 321 28 12 Fax: (222) 321 18 72
Çukurhisar Ready Mixed Concrete Plant	Bursa yolu 20. km Çukurhisar/Eskişehir	Telephone: (530) 668 95 23 (Gsm)
Kütahya Ready Mixed Concrete Plant	Kütahya - Balıkesir Yolu 1. Km – Kütahya	Telephone: (274) 224 19 87 (Gsm) Fax: (274) 224 19 88
Denizli Üçler Ready Mixed Concrete Plant	Hacı Eyüpü Mah.3125 Sok.No:5 Üçler/Denizli	Telephone: (532) 383 73 91 (Gsm)
Bor/Niğde Ready Mixed Concrete Plant	Ahmet Kuddusi Mahallesi Mehmet Bıyık Caddesi No:184 Bor/Niğde	Telephone: (388) 313 15 13 (388) 313 15 15 Fax: (388) 313 15 45
Uşak Halaçlar Ready Mixed Concrete Plant	Halaçlar köyü Çoban pınarı mevkii Banaz/UŞAK	Telephone: (533) 154 80 56 (Gsm)
Afyon Organized Industrial Zone Ready Mixed Concrete Plant	Afyonkarahisar Organize Sanayi Bölgesi Mah. 4 Cad.2 Sk.No.1 Merkez/Afyonkarahisar	Telephone: (530) 151 43 50 (Gsm)
OVERSEAS TERMINALS		
Cimsa Cementos Espana S.A.U – Spain	Carretera de la Esclusa S/N, Darsena del Batan Notre, 41011 Puerto de Sevilla, Spain	Telephone: (34 95) 427 50 68 Fax: (34 95) 427 19 36
CSN Cement Sales North GmbH -Germany	NesserlanderStrasse, 5 Emden, Germany	Telephone: (49 40) 70 20 93 14 Fax: (49 70) 20 93 20/22
Çimsa Cement Free Zone Ltd – K.K.T.C.	Free Port, Famagusta/TRNC	Telephone: (90 392) 365 49 80 Fax: (90 392) 365 49 81
Cimsarom Marketing Distributie S.R.L. Romania	BdMamaia, OficeNr 5, Nr 251 Et 4, Constanta, Romania	Telephone: (40 241) 585 333 Fax: (40 241) 585 333
Cimsa-Rus Cement Trading Company Limited-Russia	353960 Krasnodarskiy Krai Svoboda Str 1/ Cemdolina Novorossiysk, Russia	Telephone: (8617) 67 20 31 Fax: (8617) 67 20 32
Cimsa Adriatico S.R.L. -Italy	Riva Alvise Cadamosto, 8 34147 Trieste, Italy	Telephone: (39 40) 282 09 18 Fax: (39 40) 282 09 23
Cimsa Americas Cement Manufacturing and Sales Corporation	2425 West Loop South, Suite 200 Houston, Texas 77027 USD	Telephone: (1 713) 335 5529 Fax: (1 713) 297 8864

07

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Çimsa Çimento Sanayi ve Ticaret Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Çimsa Çimento Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards ("TAS").

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matters	How key audit matter addressed in the auditor's response
Goodwill impairment test	
As at 31 December 2018, there is a goodwill amounting to TL 151.824.511 which springs from previous acquisitions. In accordance with TAS, the Group performs an impairment test for each cash generating unit to assess whether there is an impairment in the goodwill amount.	The assumptions, sensitivities and results of the tests performed are disclosed in Note 12 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances. We involved the valuation specialists from another entity that is a part of the same audit network of our audit team to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.

Capitalization of financing expenses	
The Group, capitalizes significant qualifying borrowing costs in respect of major investment projects, including on going factory constructions. Given that there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 23 are inappropriately recorded on the balance sheet rather than expensed, this matter is considered as key audit matter. Detail explanation of financial expenses disclosed in Note 11.	We have tested the operating effectiveness of controls in respect of the processes and procedures which govern the capitalisation of borrowing costs. Furthermore, we have carried out substantive testings in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originally approved budget. In relation to borrowing costs we obtained the supporting calculations, verified the inputs to the calculation, including testing a sample of cash payments, tested the mechanical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised.

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

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

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

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

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

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

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

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 20 February 2019.
2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Cem Uçarlar, SMMM
Partner

20 February 2019
İstanbul, Türkiye

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(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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

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

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

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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

				Other Comprehensive Income/Expense to be Reclassified to Profit or Loss			Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss
	Share capital	Adjustments to share capital	Share premiums	Foreign currency translation reserve	Cash flow hedge reserve	Available for sales financial assets revaluation reserve	Actuarial gains/(losses) on defined benefit plans
1 January 2017	135.084.442	41.741.516	1.099.415	15.949.885		7.412.607	(4.844.261)
Transfer from retained earnings	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	13.903.655	(9.896.684)	4.968.527	(1.655.877)
Total comprehensive income/(expense)	-	-	-	13.903.655	(9.896.684)	4.968.527	(1.655.877)
Dividends paid	-	-	-	-	-	-	-
31 December 2017	135.084.442	41.741.516	1.099.415	29.853.540	(9.896.684)	12.381.134	(6.500.138)
1 January 2018	135.084.442	41.741.516	1.099.415	29.853.540	(9.896.684)	12.381.134	(6.500.138)
Transfer from retained earnings	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	37.094.074	(65.490.581)	(28.525.627)	722.861
Total comprehensive income/(expense)	-	-	-	37.094.074	(65.490.581)	(28.525.627)	722.861
Dividends paid (*)	-	-	-	-	-	-	-
31 December 2018	135.084.442	41.741.516	1.099.415	66.947.614	(75.387.265)	(16.144.493)	(5.777.277)

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

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

Restricted reserves	Retained Earnings Retained earnings	 Net profit for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
168.519.607	640.007.495	246.019.452	1.250.990.158	107.996.440	1.358.986.598
18.506.569	227.512.883	(246.019.452)	-	-	-
-	-	228.351.942	228.351.942	18.932.811	247.284.753
-	-	-	7.319.621	578.747	7.898.368
-	-	228.351.942	235.671.563	19.511.558	255.183.121
-	(191.819.908)	-	(191.819.908)	-	(191.819.908)
187.026.176	675.700.470	228.351.942	1.294.841.813	127.507.998	1.422.349.811
187.026.176	675.700.470	228.351.942	1.294.841.813	127.507.998	1.422.349.811
6.078.800	222.273.142	(228.351.942)	-	-	-
-	-	154.925.532	154.925.532	(1.068.683)	153.856.849
-	-	-	(56.199.273)	(985.786)	(57.185.059)
-	-	154.925.532	98.726.259	(2.054.469)	96.671.790
-	(67.542.221)	-	(67.542.221)	-	(67.542.221)
193.104.976	830.431.391	154.925.532	1.326.025.851	125.453.529	1.451.479.380

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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

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

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

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS

General

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

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

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

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

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

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

(*) Accounted for using full consolidation method.

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Preparation principles of financial statements

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

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

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

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

2.2 Seasonality of the Group's operations

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

2.3 Going concern

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

2.4 Offsetting

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Changes in accounting policies, estimates and errors

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

2.6 Summary of Significant Accounting Policies

Basis of consolidation

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

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

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

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

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

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

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

Subsidiaries

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

Associates

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

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

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

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

Cash and cash equivalents

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

Trade Receivables

Trade receivables are recognized with invoiced amounts and carried at amortized cost using the effective interest method in the subsequent periods.

Notes and posdated checks classified in trade receivables are carried at amortized cost using the effective interest rate method.

Provision for doubtful receivables is accounted as expense. Provision for doubtful receivables is set aside if there is a concrete indication that the overdue receivables cannot be collected. The Company uses the simplified approach in IFRS 9 to calculate the expected credit losses of these financial assets. This method requires the accounted of lifetime expected credit losses for all trade receivables.

Inventories

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

Raw materials - purchase cost on a monthly average basis.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

Property, plant and equipment

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

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

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

Intangible assets

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

Intangible assets (continued)

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

Derecognition of tangible and intangible assets

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

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

Goodwill

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

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

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

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

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

Impairment on non-financial assets

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Impairment on non-financial assets (continued)

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

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

Business combinations

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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

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

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

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

Foreign currency transactions

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Foreign currency transactions (continued)

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

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

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

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

Borrowing costs

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

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

Provisions, contingent assets and liabilities

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

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

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

Provisions for employee benefits/retirement pay provision

a. Defined benefit plan

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

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

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

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

b. Defined contribution plans

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

c. Seniority provision

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

d. Vacation rights

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

Leasing

Leasing acitivites - as lessee

Financial leasing

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

Operating lease

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

Related parties

A party is related to the Company if:

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

(b) the party is an associate of the entity;
(c) the party is a joint venture in which the entity is a venturer;
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

Sale of Goods

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

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

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

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

Interest

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

Dividends

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

Earnings per share

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Events subsequent to the balance sheet date

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

Accounting on transaction and delivery date

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

Financial instruments

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

A financial asset is any asset that is:

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

A financial liability that is a contractual obligation:

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

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

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

Fair value of financial instruments

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

Loans and receivables

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Available for sale financial assets

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

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

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

Impairment on financial assets

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

Financial liabilities

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

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

Bank borrowings

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

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

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

Recognition and derecognition of financial instruments

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

Research expenses and development costs

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

2.7 Comparative Information

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

2.8 The new and amended standards and interpretations

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

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

IFRS 15 - Revenue from Contracts with Customers

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

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

TFRS 4 Insurance Contracts (Amendments);

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

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

Annual Improvements to TFRSs - 2014-2016 Cycle

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

TFRS 16 Leases

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

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

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

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

Transition to TFRS 16:

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

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

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

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

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

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

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

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

Annual Improvements - 2015-2017 Cycle

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

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

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

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

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

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

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 The new and amended standards and interpretations (continued)

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

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

IFRS 17 - The New Standard for Insurance Contracts

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

Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.9 Significant accounting judgments and estimates

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

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

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

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

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

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

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

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

3. SHARES IN AFFILIATED UNDERTAKINGS

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

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

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

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

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

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

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

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

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

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

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

Condensed balance sheet information

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

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

3. SHARES IN AFFILIATED UNDERTAKINGS (continued)

Condensed income statement information

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

Condensed cash flow information

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

4. SEGMENT REPORTING

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

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

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

4. SEGMENT REPORTING (continued)

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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4. SEGMENT REPORTING (continued)

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

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

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

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

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

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

5. CASH AND CASH EQUIVALENTS

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

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

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

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

The detail of bank deposits is stated below:

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

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

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

6. TRADE RECEIVABLES AND PAYABLES

a. Trade Receivables

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

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

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

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

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

6. TRADE RECEIVABLES AND PAYABLES (continued)

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

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

b. Trade payables

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

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

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

7. FINANCIAL BORROWINGS

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

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

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

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

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

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

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

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

7. FINANCIAL BORROWINGS (continued)

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

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

8. OTHER RECEIVABLES AND OTHER PAYABLES

a. Other Receivables

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

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

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

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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8. OTHER RECEIVABLES AND OTHER PAYABLES (continued)

b. Other payables

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

9. INVENTORIES

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

Inventory impairement provision movement

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

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

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

10. PREPAID EXPENSES AND DEFERRED INCOME

a. Prepaid Expenses

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

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

b. Deferred income

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

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

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11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment
Cost value				
Opening balance as of 1 January 2018	103.442.685	115.910.173	477.591.564	1.648.128.161
Currency translation difference	1.000.657	880.865	16.949.367	30.096.217
Effect of facility purchased (Note 12)	830.259	-	2.205.000	670.000
Additions	422.056	60.076	11.426.617	3.503.825
Disposals	(6.485.688)	(57.267)	-	(201.556)
Transfers from construction in progress (*)	-	4.101.011	92.000.387	270.531.267
Closing balance as of 31 December 2018	99.209.969	120.894.858	600.172.935	1.952.727.914
Accumulated depreciation				
Opening balance as of 1 January 2018	-	(46.275.590)	(128.112.282)	(761.316.254)
Currency translation difference	-	(484.119)	(8.022.441)	(19.084.801)
Charge for the period	-	(6.772.930)	(13.128.936)	(77.711.580)
Disposals	-	46.715	-	197.390
Closing balance as of 31 December 2018	-	(53.485.924)	(149.263.659)	(857.915.245)
Net book value as of 31 December 2018	99.209.969	67.408.934	450.909.276	1.094.812.669

There is mortgage or pledge over assets of the Group amounting to TL 28.288.198 as of December 31, 2018 (December 31, 2017 - TL 97.082.197).

As of 31 December 2018 and 2017, there are no tangible assets acquired through financial leasing.

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

Vehicles	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
88.150.149	16.944.713	1.158.971	2.270.359	366.935.964	2.820.532.739
624.958	490.187	218.790	-	5.437.224	55.698.265
-	-	-	-	-	3.705.259
919.194	330.259	7.460	-	239.065.852	255.735.339
(2.865.729)	(73.193)	(52.817)	-	-	(9.736.250)
-	2.240.749	-	-	(372.201.288)	(3.327.874)
86.828.572	19.932.715	1.332.404	2.270.359	239.237.752	3.122.607.478
(60.183.728)	(9.315.877)	(564.065)	(2.204.862)	-	(1.007.972.658)
(511.503)	(317.423)	(306.730)	-	-	(28.727.017)
(6.944.573)	(1.901.695)	(25.118)	(27.944)	-	(106.512.776)
2.840.806	39.436	-	-	-	3.124.347
(64.798.998)	(11.495.559)	(895.913)	(2.232.806)	-	(1.140.088.104)
22.029.574	8.437.156	436.491	37.553	239.237.752	1.982.519.374

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Land Improvements	Buildings	Machinery and Equipment
Cost value				
Opening balance as of 1 January 2017	105.784.429	89.555.167	279.784.124	1.147.475.015
Currency translation difference	1.141.339	610.533	10.508.021	14.972.702
Additions	5.173.695	542.143	3.299.504	40.337.578
Disposals	(15.333.611)	(5.711.334)	(15.329.160)	(93.389.818)
Transfers from construction in progress (*)	6.676.833	30.913.664	199.329.075	538.732.684
Closing balance as of 31 December 2017	103.442.685	115.910.173	477.591.564	1.648.128.161
Accumulated depreciation				
Opening balance as of 1 January 2017	-	(45.383.445)	(129.387.540)	(774.172.035)
Currency translation difference	-	(224.381)	(3.714.119)	(9.503.970)
Charge for the period	-	(6.161.548)	(10.339.783)	(56.242.866)
Disposals	-	5.493.784	15.329.160	78.602.617
Closing balance as of 31 December 2017	-	(46.275.590)	(128.112.282)	(761.316.254)
Net book value as of 31 December 2017	103.442.685	69.634.583	349.479.282	886.811.907

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

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

Vehicles(**)	Furniture and Fixture	Other Tangible Assets	Leasehold Improvements	Construction in Progress	Total
83.449.772	17.515.405	1.134.592	2.283.859	779.181.748	2.506.164.111
526.737	293.337	-	-	-	28.052.669
5.923.397	412.219	51.955	-	365.602.307	421.342.798
(2.259.800)	(3.170.909)	(27.576)	(13.500)	-	(135.235.708)
510.043	1.894.661	-	-	(777.848.091)	208.869
88.150.149	16.944.713	1.158.971	2.270.359	366.935.964	2.820.532.739
(57.480.354)	(10.510.218)	(514.331)	(2.178.809)	-	(1.019.626.732)
(267.197)	(251.118)	-	-	-	(13.960.785)
(4.276.561)	(1.655.194)	(52.241)	(39.553)	-	(78.767.746)
1.840.384	3.100.653	2.507	13.500	-	104.382.605
(60.183.728)	(9.315.877)	(564.065)	(2.204.862)	-	(1.007.972.658)
27.966.421	7.628.836	594.906	65.497	366.935.964	1.812.560.081

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

12. GOODWILL

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

The movement of goodwill for the periods ending 31 December 2018 and 31 December 2017 is stated below.

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

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

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

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

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13. INTANGIBLE ASSETS

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

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

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

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

13. INTANGIBLE ASSETS (continued)

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

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

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES

a. Short-Term Provisions

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

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

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

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

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

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

14. PROVISION, CONTINGENT ASSETS AND LIABILITIES (continued)

b. Long-Term Provisions

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

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

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

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

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

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15. COMMITMENTS

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

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

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15. COMMITMENTS (continued)

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

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

Investigation of the Competition Authority

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

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16. EMPLOYEE BENEFITS

a. Employee Benefit Obligations

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

b. Short Term Employee Benefits

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

c. Long Term Employee Benefits

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

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

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

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

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

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16. EMPLOYEE BENEFITS (continued)

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

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

	31 December 2018	31 December 2017
Discount rate	14,90%	9,00%
Estimated increase rate	9,23%	5,00%
Net discount rate	5,10%	3,81%
Employee turnover rate	3,73%	3,92%

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

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

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

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

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17. OTHER ASSETS AND LIABILITIES

a. Other Assets

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

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

[1] MTL 54.4 of Deferred VAT is related with the purchases made as part of new investment in Niğde and Eskişehir. (31 December 2017: MTL 14).

[2] Due to the new investment of Afyon Çimento T.A.Ş, the portion of VAT amounting to TL 13.920.096 will be deducted in a longer period than a year according to the estimations of the Group. (31 December 2017: TL 26.940.729.)

[3] According to VAT Law no 11/c, the VAT amount regarding to the goods which are rendered to export dealers by manufacturers is not collected, and are recorded to export VAT and deferred VAT accounts. Uncollected VAT is declared on related VAT declaration; accrued VAT is deferred and recorded to deferred VAT accounts. After verification of the realization of export, tax administration makes cancellation for the deferred VAT.

b. Other Liabilities

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

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18. EQUITY, RESERVES AND OTHER EQUITY ITEMS

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

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

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

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

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

Restricted reserves and retained earnings

Legal reserves

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

Retained earnings

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

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

Profit distribution

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

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

Companies should include at least the following in their profit distribution policies:

a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.

b) Payment type of dividend distribution.

c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.

d) Whether dividend advances will be distributed, and if distributed, the related principles.

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

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

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

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

Foreign currency translation differences

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

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

Non-controlling interests

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

Available for sales financial assets revaluation reserve

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

20. REVENUE

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

21. OPERATING EXPENSES BY NATURE

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

Cost of sales (-)

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

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

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21. OPERATING EXPENSES BY NATURE (continued)

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

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

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

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

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21. OPERATING EXPENSES BY NATURE (continued)

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

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

22. OTHER OPERATING INCOME AND EXPENSES

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

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

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23. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

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

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

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

24. FINANCIAL INCOME/EXPENSE

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

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

25. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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25. INCOME TAXES (continued)

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

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

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

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

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

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

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

Distribution of tax expenses are as follows:

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

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

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

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25. INCOME TAXES (continued)

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

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

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

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25. INCOME TAXES (continued)

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

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

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

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

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

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26. EARNINGS PER SHARE

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

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

Dividends distributed per share:

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

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

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

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

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

27. RELATED PARTY DISCLOSURES

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

Short-term trade receivables from related parties

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

[1] Parent company

[2] Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

[3] Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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27. RELATED PARTY DISCLOSURES (continued)

Other receivables to related parties

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

Short-term trade payables to related parties

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

Other payables to related parties (short term)

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

Bank balances deposited in related parties

	31 December 2018	31 December 2017
Akbank T.A.Ş. [2]	199.233.840	122.913.809
	199.233.840	122.913.809

Borrowings from related parties

	31 December 2018	31 December 2017
Akbank T.A.Ş.[2]	283.145.528	250.154.691
	283.145.528	250.154.691

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27. RELATED PARTY DISCLOSURES (continued)

Sales to related parties

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

[1] Parent company

[2] Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

[3] Joint venture of the parent company; Hacı Ömer Sabancı Holding A.Ş.

Purchases and services received from related parties

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

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

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27. RELATED PARTY DISCLOSURES (continued)

Interest income from related parties

	1 January- 31 December 2018	1 January- 31 December 2017
Akbank T.A.Ş. [2]	1.847.295	1.609.334
	1.847.295	1.609.334

Interest expenses from related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Akbank T.A.Ş. [2]	(36.010.032)	(19.605.975)
	(36.010.032)	(19.605.975)

Compensation benefits to the top management

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

[1] Parent company

[2] Subsidiary of the parent company; Hacı Ömer Sabancı Holding A.Ş.

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28. FOREIGN CURRENCY RISK

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

	31 December 2018			
	TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
Trade receivables	140.255.187	19.951.155	5.855.036	-
Monetary financial assets	93.431.849	10.812.670	5.711.806	318.167
Current Assets	233.687.036	30.763.825	11.566.842	318.167
TOTAL ASSET	233.687.036	30.763.825	11.566.842	318.167
Trade payables	49.166.246	8.722.170	544.091	-
Financial liabilities	1.480.471.752	40.766.192	84.721.721	-
Short Term Liabilities	1.529.637.998	49.488.362	85.265.812	-
TOTAL LIABILITIES	1.529.637.998	49.488.362	85.265.812	
Off balance sheet derivative financial instruments net asset/liability position	253.530.591	-	42.058.824	
Off-balance sheet derivative assets denominated in foreign currencies	(253.530.591)	-	(42.058.824)	
Net foreign currency asset liability position	(1.042.420.371)	(18.724.537)	(31.640.146)	318.167
Net foreign currency asset/liability position for monetary items	(1.295.950.962)	(18.724.537)	(73.698.970)	318.167
Off-balance sheet derivative assets denominated in foreign currencies				
Net asset/liability position	(1.885.501)	(121.843)	(206.453)	
Hedged foreign currency assets	(254.925.823)	(265.208)	(42.058.824)	
Export	705.508.548	84.825.592	41.179.979	
Import	197.975.631	34.206.628	2.989.048	

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

31 December 2017			
TL Equivalent (Functional Currency)	USD (Original Currency)	EUR (Original Currency)	GBP (Original Currency)
146.088.365	29.729.769	7.518.691	-
57.718.303	7.440.480	6.567.059	-
203.806.668	37.170.249	14.085.750	-
203.806.668	37.170.249	14.085.750	-
76.566.806	17.793.169	2.093.401	-
380.261.200	23.000.000	65.000.000	-
456.828.006	40.793.169	67.093.401	-
456.828.006	40.793.169	67.093.401	-
249.461.044	293.895	55.000.000	-
(249.461.044)	(293.895)	(55.000.000)	-
(3.560.296)	(3.329.025)	1.992.349	-
(253.021.337)	(3.622.920)	(53.007.651)	-
(5.397.435)	(475.452)	(798.157)	-
(249.461.044)	(293.895)	(55.000.000)	-
444.626.813	69.780.644	38.312.602	1.657.510
127.747.710	24.926.463	8.955.017	9.652

28. FOREIGN CURRENCY RISK (continued)

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

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

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

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

Interest rate risk management

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

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28. FOREIGN CURRENCY RISK (continued)

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

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

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

29. AVAILABLE FOR SALE FINANCIAL INVESTMENTS

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

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Capital management

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

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

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

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk factors

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

c. Credit risk management

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

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

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

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

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c .Credit risk management (continued)

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

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

[1] When determining the amount, the guarantees received and factors increasing the credibility are not considered.

[2] The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.

[3] The Group did not have any collection problems with these customers in the past.

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c .Credit risk management (continued)

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

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

[1] When determining the amount, the guarantees received and factors increasing the credibility are not considered.

[2] The guarantees consist of letters of guarantees, guarantee cheques and mortgages received from customers. The portion of the guarantee which covers the risk has not been taken into consideration.

[3] The Group did not have any collection problems with these customers in the past.

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

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

d. Foreign currency risk management

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

e. Interest rate risk management

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

f. Liquidity risk

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

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

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

31 December 2018

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

31 December 2017

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

(Convenience translation of the report and consolidated financial statements originally issued in Turkish (See Note 2.10)

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31. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

The classification and fair value of the financial instruments

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

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

The classification and fair value of the financial instruments

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

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

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

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

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

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

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

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

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

Fair value of financial instruments

Fair value is defined as the price that collected from the sale of an asset or payable in the ordinary course of business at the measurement date between market participants.

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

Monetary assets

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

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

Monetary liabilities

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

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

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

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

Fair value measurement hierarchy table

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

First level: Financial assets and liabilities are measured at quoted market prices on the active market for identical assets and liabilities.

Second level: Financial assets and liabilities are valued using inputs that are used to determine directly or indirectly the marketable price of the related asset or liability other than the quoted price at the first level

Third level: Financial assets and liabilities are valued at inputs that are not based on an observable asset in the market for the fair value of the asset or liability

32. SUBSEQUENT EVENTS

None

PROFIT DISTRIBUTION PROPOSAL AND RESULT

According to our financial statements for the accounting period between January 01, 2018 and December 31, 2018, prepared in accordance with the "Communiqué on Principles of Financial Reporting in Capital Markets" (II- 14.1) of Capital Market Board and audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., our consolidated profit for the period was TL154,925,532.00. As per our financial statements prepared in accordance with Tax Procedural Law our net profit for the period was TL 62,774,319.71.

In order to strengthen the financial structure of our company and not create a new financing requirement, we propose that the distributable profit calculated from the profit for the year 2018 shall not be distributed and shall be set as Extraordinary Reserve.

On behalf of the Board of Directors

Tamer Saka
Chairman of the Board of Directors

ÇİMSA ÇİMENTO SANAYİ VE TİCARET A.Ş. 2018 PROFIT DISTRIBUTION TABLE (TRY)

1. Paid in Capital	135,084,442.00
2. General Legal Reserves (As per Statutory Records)	102,469,321.12
If there is privileged dividend according to the article of association, information regarding this privilege.	None

		As per CMB	As per Statutory Records
3.	Profit	175,110,867.00	79,835,427.78
4.	Taxes (-)	21,254,018.00	17,061,108.07
5.	Net Profit for the Period (=)	154,925,532.00	62,774,319.71
6.	As per Statutory Records (-)	-	-
7.	General Legal Reserve (-)	-	-
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	154,925,532.00	62,774,319.71
9.	Donations during the year (+)	270,929.89	
10.	Net Distributable Profit Including Donations	155,196,461.89	
11.	First Category Dividend For Shareholders	-	
	-Cash	-	
	-Share		
	Total	-	
12.	Dividends Distributed to the Privileged Shareholders	-	
13.	Other Dividends Distributed	-	
	-Members of the Board of Directors	-	
	-Employees	-	
	-Non Shareholders	-	
14.	Dividends Distributed to the Holders of Usufruct Right Certificates	-	
15.	Second Category Dividend For Shareholders	-	
16.	General Legal Reserves (-)	-	
17.	Status Reserves	-	-
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVES	154,925,532.00	62,774,319.71
20.	Orher Resource Planned for Distribution	-	-

DIVIDEND RATIOS TABLE

	Total Dividend Amount		Total Dividend Amount/Net Distributable Profit For The Period	1 Tl Nominal Değerli Hisseye İsabet Eden Kâr Payı	
	Cash (TL)	Share (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Gross	-	-	0,00	0,0000	0,00
Net*	-	-	0,00	0,0000	0,00

* It's assumed that a 15% tax cut will be computed when calculating the net amount.

08 APPENDICES

ÇİMSA 2017-2018 PERFORMANCE TABLES

ECONOMIC PERFORMANCE INDICATORS		
	2017	2018
Gray Cement Production (tons)	5,258,542	4,556,691
White Cement Production (tons)	1,088,476	1,215,744
Calcium Aluminate Cement Production (tons)	31,256	33,455
Aggregate Production (tons)	-	-
Clinker Production (tons)	6,101,571	5,790,568
Ready-Mixed Concrete Production (m^3)	3,440,770	2,741,393
Gray Cement Sales (tons)	5,252,488	4,562,779
White Cement Sales (tons)	1,127,452	1,273,107
Clinker Sales (million tons)	749,050	596,205
Ready-Mixed Concrete Sales (m^3)	3,440,770	2,741,393
Economic Value Created (million TL)	1,490.58	1,699.9
Net Sales (million TL)	1,490.58	1,699.9
Economic Value Distributed (million TL)		
Taxes Paid (million TL)	37	11
Dividends to Stakeholders (million TL)	192	68
Wages to Employees (million TL)	107	127
R&D Expenditure (TL))	1,557,456	3,851,468

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 102-7, 201-1

ENVIRONMENTAL PERFORMANCE INDICATORS	2017	2018
Gray Cement Raw Material Amount (tons)		
Natural Raw Material Amount	5,281,727	7,002,546
Clinker Produced	3,505,108	4,539,351
Alternative Raw Material	65,606	91,511
Natural Additive (Additive in to cement)	499,467	405,582
Alternative Additive (Additive in to cement)	49,017	103,284
White Cement Raw Material Amount (tons)		
Natural Raw Material Amount	1,960,569	1,832,166
Clinker Produced	1,175,858	1,220,427
Alternative Raw Material	108,373	116,729
Natural Additive (Additive in to cement)	105,285	62,614
Alternative Additive (Additive in to cement)	0	57,714
Amount of Calcium Aluminate Cement (tons)		
Natural Raw Material Amount	52,549	49,137
Clinker Produced	36,024	32,659
Ready-Mixed Concrete (tons)		
Fly Ash	90,176	60,936
Slag	110,748	88,981
Raw Materials Extracted From Mines (tons)	8,745,090	7,751,317
Alternative Fuel (grey) (%)	8.7	6.8
Alternative Raw Material (grey+white+CAC) (%)	2.75	3.78
Conventional Energy Consumption (grey) (TJ)	11,134	14,122
Amount of Electrical Energy Production from Waste Heat (mhw/year)	44,085	44,016
Amount of Electrical Energy Production from Waste Heat (TJ/year)	158,706	158,458
Reduction of Greenhouse Gas Emission Due To Electrical Energy Production from Waste Heat (ton/CO2/year)	20,808	20,776
Total Energy Consumption (kWh)	252,006,000	301,987,000
Total Amount of Production (grey clinker ton)	3,505,108	4,539,351
Energy Density (kWh/grey clinker ton)	71.9	66.5
Amount of Scope 1 Gross Greenhouse Gas Emission (grey+white) (m ton CO2/year)	4.1	5.19
Grey Cementitious Specific CO2 Emission (scope 1) (kg CO_2/ton)	732	782
Scope 2 Brüt Sera Gazı Emisyonu Miktarı (gri+beyaz) (m ton CO_2/yıl)	256,853	294,253
Grey Cementitious Specific CO2 Emission (scope 2) (kg CO2/ton)	45	43
Amount of Scope 3 Gross Greenhouse Gas Emission (ton CO2/year) (Cement transportation and distribution)	67,194	49,071
Pollutant Emissions		
Total Dust Emissions (tons)	93.09	87.53
Specific Dust Emissions (gr/ton clinker)	19.89	15.11
Total NO_x Emissions (tons)	7,942.77	7,346.66
Specific NO_x Emissions (gr/ton clinker)	1,696.82	1,268.32
Total SO_2 Emission (tons)	-	67.51
Specific SO_2 Emission (gr/ton clinker)	-	11.66
Total Toxic Heavy Metal Emission (tons)	0.28	0.22
Specific Toxic Heavy Metal Emission (gr/ton clinker)	0.06	0.04
Total Volatile Organic Compound (VOC) Emission (tons)	138.61	117.98

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 102-4, 301-2, 302-1, 302-4, 303-1, 303-3, 304-1, 304-3, 304-4, 305-1, 305-4, 305-5, 305-7, 306-1, 306-2, 306-5

ENVIRONMENTAL PERFORMANCE INDICATORS (Continued)		
	2017	2018
Specific Volatile Organic Compound (VOC) Emission (gr/ton clinker)	29.61	20.37
Total Dioxin-Furan Emission (gr)	0.03	0.02
Specific Dioxin-Furan Emission (μgr/ton clinker)	0.01	0.003
Total Mercury Emission (tons)	0.01	0.01
Specific Mercury Emission (gr/ton clinker)	0.03	0.002
Total Cd+Tl Emission (tons)	0.05	0.05
Specific Cd+Tl Emission (gr/ton clinker)	0.01	0.01
Total HCl (ton)	0.39	0.34
Spesific HCl (gr/ton clinker)	0.19	0.06
Total HF (ton)	0.39	0.83
Spesific HF (gr/ton clinker)	0.19	0.14
Total Hazardoud Wastes by Disposal Method (tons)	2,498	591
Recovery	109	31
Energy recovery	2,383	554
Disposal	6	6
Total Non-Hazardoud Wastes by Disposal Method (tons)	38,099	3,807
Recovery	16,681	2,570
Energy recovery	19,550	40
Disposal	1,868	1,196
Total water volume used and discharged (m^3)		
Well Water	1,265,093	1,093,062
Municipal Water	15,991	84,773
Annual Waste Water Amount According to Discharge Method (m^3)		
Discharge Point	20,147	15,487
Wastewater Channel	22,826	16,233
Recycled Water	31,450	32,178
Active Mine Site Area (ha)	833	956
Mine Site Area With Approved Rehabilitation Plan (ha)	167	609
Mine Sites Where the Production Has Finished (ha)	27.6	0
Rehabilitated Site Area (ha)	0.73	0
Total Packaging Used (tons)	7,634	13,588
Packaging Waste Recovery Rate (%)	54	56
Number of Environmental Compliance Sanctions Paid (number)	0	0
Amount of Environmental Compliance Sanction Paid (TL)	0	0
Total Environmental Investment and Management Expenditures (TL)	26,798,583	27,480,378
Total Environmental Trainings - Number of Attendance (person)	83	123
Total Environmental Trainings - Training Hours (person x hour)	159	720

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 301-2, 302-1, 302-4, 303-1, 303-3, 304-1, 304-3, 304-4, 305-1, 305-4, 305-5, 305-7, 306-1, 306-2, 306-5

SOCIAL PERFORMANCE INDICATORS	2017	2018
Injury Rate in Cement Plants		
Çimsa Employees	14.32	8.73
Female	0.00	0.00
Male	14.92	9.15
Contractor Employees	6.60	1.74
Injury Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	4.49	3.95
Female	0.00	0.00
Male	4.63	4.04
Contractor Employees	6.41	10.05
Occupational Disease Rate in Cement Plants		
Çimsa Employees	3.37	5.16
Female	0.00	0.00
Male	3.51	5.41
Contractor Employees	0.47	0.43
Occupational Disease Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	0.00	0.00
Female	0.00	0.00
Male	0.00	0.00
Contractor Employees	0.00	0.00
Lost Day Rate in Cement Plants		
Çimsa Employees	200.94	188.06
Female	0.00	0.00
Male	209.31	197.23
Contractor Employees	267.87	12.59
Lost Day Rate in Ready-Mixed Concrete Facilities		
Çimsa Employees	273.91	355.66
Female	0.00	0.00
Male	282.56	363.75
Contractor Employees	214.25	246.58
Absentee Rate in Cement Plants		
Çimsa Employees	1,568.72	1,614.75
Female	2,568.75	980.62
Male	1,527.04	1,645.70
Contractor Employees	159.87	716.29
Fatalities in Cement Plants		
Çimsa Employees	0	0
Female	0	0
Male	0	0
Contractor Employees	0	0
Fatalities in Ready-Mixed Concrete Facilities		
Çimsa Employees	0	0
Female	0	0
Male	0	0
Contractor Employees	0	0

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 102-8, 403-2, 404-1, 404-3

EMPLOYEE DEMOGRAPHICS		
	2017	2018
Total Workforce (number)	2,671	2,266
Çimsa Employees	1,154	1,130
Female	58	68
Male	1,097	1,062
Contractor Employees	1,517	1,136
Female	75	64
Male	1,442	1,072
Total Workforce by Contract Type (number)		
Indefinite Term Contract	1,141	1,122
Female	58	67
Male	1,083	1,055
Temporary Contract	14	8
Female	0	1
Male	14	7
Total Workforce by Category (number)		
Blue Collars	671	660
Female	0	0
Male	671	660
White Collars	483	470
Female	58	68
Male	426	402
Total Workforce by Employment Type (number)	1,155	1,130
Full time	1,155	1,128
Female	58	67
Male	1,097	1,061
Part time	0	2
Female	0	1
Male	0	1
Total Workforce by Education Level (number)	1,155	1,130
No Education	0	0
Primary School	80	67
Secondary School	597	584
University and Above	478	479
Total Workforce by Age Group (number)	1,155	1,130
18-25	72	67
26-35	472	452
36-45	468	474
46+	143	137
Senior Management Structure (number)		
Cinsiyet Bazında	18	14
Female	3	1
Male	15	13
By Gender	18	14
18-25	0	0
26-35	1	2
36-45	5	6
46+	12	6

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 102-8, 202-2, 401-1, 401-3

EMPLOYEE DEMOGRAPHICS (Continued)		
	2017	2018
Citizenship	18	14
Turkish citizens	18	13
Expat	-	1
Mid and Lower Level Management Structure (number)		
By Gender	165	164
Female	20	24
Male	145	140
By Age Group	165	164
18-25	2	0
26-35	63	65
36-45	73	70
46+	28	29
Employees Hired (number)		
By Gender	126	117
Female	12	23
Male	114	94
By Age Group	126	117
18-25	38	34
26-35	68	64
36-45	17	13
46+	3	6
Employees Left (number)		
By Gender	114	141
Female	12	13
Male	102	128
By Age Group	114	141
18-25	9	11
26-35	54	52
36-45	23	36
46+	27	42
Disabled Employees		
Female	0	0
Male	30	31
Number of Employees Left for Prental Leave	0	2
Number of Employees Returned From Prental Leave	2	2
Number of Employees Who Didn't Leave Their Job After 12 Months to Their Return From Parental Leave	1	1
Workforce Covered by Collective Bargaining Agreement (number)	580	660
Direct Employees	580	660
Contractor Employees	0	0

The calculations in the performance tables excludes Afyon Cement's 2017 data, but includes 2018 data.

GRI-Standards 102-8, 401-1, 202-2, 401-3

INDEPENDENT ASSURANCE STATEMENTS

WATER FOOTPRINT VERIFICATION REPORT

Products/Services: Cimsa Cimento San. ve Tic. A.S.	**Water Footprint Study:** Rev. 01 of 25/02/2019	
Client: Cimsa Cimento San. ve Tic. A.S.	**Client contact:** Tuğba AKDERE	
Report No.: 2019-XT-02-MP	**Revision:** 1.0	**Date of this report:** 01/03/2019
Approved by : Laura SEVERINO		**Date of approval:** 06/03/2019
Type of Water Footprint Study: ☐ Comparative ☐ Disclosed to the public ☐ Not comparative ☒ Not disclosed to the public		
Boundary: ☐ Cradle-to-gate ☐ Cradle-to-grave ☒ Inventory (gate-to-gate)		
Type of water footprint:		
☐ Complete ☐ Partial (referred just to one or more than one indicators)	☐ One aggregated indicator (WFP aggregated) ☐ WFP disaggregated (water footprint profile)	
In case of partial water footprint, specify which indicator: ☐ Water scarcity footprint ☐ Water availability footprint ☐ Water ecotoxicity footprint ☐ Water eutrophication footprint ☐ Water acidification footprint		
Reference Standard/Scheme: ISO 14046:2014		
RINA Services S.p.A. (RINA), commissioned by Cimsa Cimento San. ve Tic. A.S. has performed the verification of the Water Footprint of the "ÇİMSA Water Footprint Report of the 6 factories (Mersin, Eskisehir, Kayseri, Niğde, Afyon and Ankara Facilities) and head quarter of "Cimsa Cimento San. ve Tic. A.S." located at Kısıklı Cad. No:4 Sarkuysan Ak Is Merkezi S Blok Kat 3 Istanbul, Turkey with with regard to the relevant requirements for ISO 14046:2014. In conclusion any Corrective action requests (CARs) or Clarification requests (CLs) have not been risen. 4 recommendations (Rs) are made for improvement. Thus to the RINA judgment the WFP is in compliance to the standard requirements ISO 14046:2014.		

Document Review carried out by: **Fulya EKINCI OZEN, Team Leader, Verifier**	☒ No distribution without permission from the Client or organizational unit responsible ☐ Strictly confidential ☐ Unrestricted distribution

STATEMENT OF CONFORMITY

no VWFP-010

Following the sample checks made by the auditors of this Certification Body both on the documents presented (WFP Study – CIMSA Water Footprint Inventory Report, – rev.02 of 25/02/2019), and on the site visit performed on Organization CIMSA CIMENTO SAN. VE TIC. .A.S., on 21-26/02/2019,

WE HEREBY DECLARE THAT:

"The Direct Water Footprint Inventory Analysis (gate-to-gate)"

related to the following organization:

CIMSA CIMENTO SAN. VE TIC. A.S.

calculated by the following organisation:

CIMSA CIMENTO SAN. VE TIC. A.S.
Kisikli Cad. No: 4 Sarkuysan-Ak Is Merkezi S Blok
Kat:3 Altunizade/Istanbul

IS IN LINE WITH THE REQUIREMENTS OF THE STANDARD ISO 14046:2014

and its amount is reported in annex 1

Date of issue: 06/03/2019

Laura Severino
Sustainability & Food Certification Compliance Head

RINA Services S.p.A.
Via Corsica 12 – 16128 Genova Italy

ANNEX I

Direct Water Footprint Inventory Analysis of the Organization:

- Head Quarter
- Mersin Clinker and Cement Production Facility
- Eskisehir Clinker and Cement Production Facility
- Kayseri Clinker and Cement Production Facility
- Nigde Clinker and Cement Production Facility
- Afyon Clinker and Cement Production Facility
- Ankara Cement Grinding Packaging Facility

Consumed Water Footprint (m^3)		Polluted Water Footprint (m^3)		
Drawn Water (Well and Main Water)	Rain Water	Chemical Oxygen Demand	Biological Oxygen Demand	Suspended Solid
1,177,835	0	4,044	7,072	4,056

Date of issue: 06/03/2019
Genova

Building a better
working world

Independent Assurance Statement

To the Board of Directors and Management of Çimsa Çimento San. ve Tic. A.Ş., Istanbul, Turkey

This Assurance Statement ('hereinafter 'Statement) is intended solely for the management of Çimsa Çimento San. ve Tic. A.Ş. (hereinafter 'Çimsa' or 'the Company') for the purpose of reporting on the selected information in its 2018 Integrated Report (hereinafter 'the Report) that has been prepared by the Company for the year ended 31 December 2018.

Subject Matter Information and Applicable Criteria

We were engaged by the Company to provide limited assurance on the items listed below, together the 'Selected Information' as defined by the Cement CO_2 and Energy Protocol version 3.1 of the World Business for Council for Sustainable Development - Cement Sustainability Initiative (WBCSD-CSI) ('CSI CO_2 and Energy Protocol"), Guidelines for Monitoring and Reporting of Emissions in the Cement Sector version 2.0 ('CSI Emission Protocol') and Safety in the Cement Sector: Guidelines for Measurement and Reporting version 4.0 ('CSI OHS Protocol').

The Scope of Our Assurance

The scope of our assurance is in relation to the indicators that has been prepared based on the CSI CO_2 and Energy Protocol, CSI Emissions Protocol and CSI OHS Protocol, arising from the grey cement and white cement production processes from the relevant on-site operations in Afyon, Eskişehir, Mersin, Kayseri, Niğde and Ankara - Turkey for the 2018 reporting year listed below (together the 'Selected Information");

- Amount of Scope 1 Greenhouse Gas Emissions (grey+white) (m tons CO2/year)
- Amount of Scope 2 Greenhouse Gas Emissions (grey+white) (m tons CO2/year)
- Grey Cementitious Specific CO2 Emissions (Scope 1) (kg CO2/tons)
- Grey Cementitious Specific CO2 Emissions (Scope 2) (kg CO2/tons)
- Pollutant Emissions
- Injury Rate, Occupational Illness Rate, Lost Day Rate, Absenteeism Rate and Fatality Rate for Cement Factories

Our assurance statement must be read in conjunction with CSI CO_2 and Energy Protocol, CSI Emissions Protocol and CSI OHS Protocol.

The Company's Responsibilities

The Company's management is responsible for the preparation, collection and presentation of the Selected Information in accordance with the CSI CO_2 and Energy Protocol, CSI Emissions Protocol and CSI OHS Protocol. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

Our Responsibilities

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised) and International Standard for Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements. These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with what is necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information on site covering Çimsa's Mersin and Afyon factories as well as off-site review of the Selected Information pertaining to the Company's other locations in Turkey, against evidence, on a sample basis;
3. Undertook substantive testing, on a sample basis, of the Selected Information;
4. Used the Company's internal documentation to evaluate and measure the Selected Information;
5. Evaluated the design and implementation of key processes and controls over the Selected Information;
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
7. Evaluated the disclosure and presentation of Selected Information in the Report.

Our Conclusion

As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2018 is not prepared in all material respects in accordance with the CSI CO_2 and Energy Protocol version 3.1, CSI Emissions Protocol version 2.0 and CSI OHS Protocol.

We permit this report to be disclosed in Çimsa Çimento San. ve Tic. A.Ş.'s Integrated Report for the year ended 31 December 2018, to enable the Directors of Çimsa Çimento San. ve Tic. A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Çimsa Çimento San. ve Tic. A.Ş. for our work or this report except where terms are expressly agreed between us in writing.

for Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM
Partner
Istanbul, 22.03.2019

ÇİMSA - GRI STANDARDS INDEX

“For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.”

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
	ORGANIZATIONAL PROFILE	
GRI 102: GENERAL DISCLOSURES 2016	102-1	Çimsa Çimento Sanayi ve Ticaret A.Ş.
	102-2	• Çimsa’s Product Range, Page: 17
	102-3	Kısıklı Cad. No: 4 Sarkuysan - Ak İş Merkezi S Blok Altunizade/İstanbul-Turkey
	102-4	• Domestic Facilities, Page: 18 • International Terminals, Page: 19 • International Connections and Terminals Abroad, Page: 117-119
	102-5	• Corporate Profile-Shareholding Structure, Page: 15
	102-6	• Corporate Profile, Page: 14-15 • Çimsa At A Glance, Page: 16-17
	102-7	• The Business Model - 2018 Performance, Page: 32-33 • Economic Performance Indicators, Page: 214
	102-8	• Corporate Development and Human Resources, Page: 62 • Employee Demographics, Page: 217-218
	102-9	Çimsa continues its preparations for sustainability practices in the light of the global sustainability trends and GRI principles in all functions in the supply chain, starting from the raw material procurement stage.
	102-10	https://www.cimsa.com.tr/en/investor-relations/material-disclosures/material-disclosures/i-181
	102-11	• Risk Management and Internal Control Mechanism, Page: 101 • Business Ethic, https://www.cimsa.com.tr/en/sustainability/sustainability-at-cimsa/sustainability-subjects/sustainability-subjects/i-187 • Occupational Health and Safety, Page: 67-69 • Climate and Energy, Page: 70-73
	102-12	• Stakeholders, Priorities and Communication Channels of Çimsa, Page: 34-35
	102-13	• Corporate Communication-Corporate Memberships, Page: 81
	STRATEGY	
	102-14	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	102-15	• Risks and Opportunities, Page: 46-49
	ETHICS AND INTEGRITY	
	102-16	• Business Ethic, https://www.cimsa.com.tr/en/sustainability/sustainability-at-cimsa/sustainability-subjects/sustainability-subjects/i-187

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
GRI 102: GENERAL DISCLOSURES 2016	GOVERNANCE	
	102-18	• Board of Directors, Senior Management, Page: 10-11 • Board of Directors Annual Report, Page: 86-92, 100-101
	102-22	https://www.cimsa.com.tr/en/investor-relations/corporate-governance/board-committees/board-committees/i-43
	102-35	http://www.cimsa.com.tr/tr/yatirimci-iliskileri/kurumsal-yonetim/ucret-politikasi/ucret-politikasi/i-452
	STAKEHOLDER ENGAGEMENT	
	102-40	• Stakeholders, Priorities and Communication Channels of Çimsa, Page: 34-35
	102-41	58%
	102-42	• Stakeholders, Priorities and Communication Channels of Çimsa, Page: 34-35
	102-43	• Stakeholders, Priorities and Communication Channels of Çimsa, Page: 34-35
	102-44	• Customer Satisfaction and Product Responsibility, Page: 57
	REPORTING PRACTICE	
	102-45	• Consolidated Financial Statements, Page: 135-136
	102-46	• About the Integrated Annual Report, Page: 1 • Prioritization Analysis and Matrix, Page: 36-37
	102-47	• Priorities, Page: 37
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2018-31.12.2018
	102-51	2017
	102-52	Annual
	102-53	Ms. Tuğba Akdere, OHS, Environment and Sustainability Manager e-mail: t.akdere@cimsa.com.tr
	102-54	This report is prepared in accordance with GRI Standards-Core option.
	102-55	Page: 224
	102-56	Page: 220-223

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	ECONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Prioritization Analysis and Matrix, Page: 36-37
	103-2	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-3	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	• Economic Performance, Page: 52-53 • Economic Performance Indicators, Page: 214
	201-3	• Employee Benefits, Page: 180-181
	201-4	There is no financial assistance received from government during the reporting period.
	MARKET PRESENCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-3	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
GRI 202: MARKET PRESENCE 2016	202-2	• Employee Demographics, Page: 216-217
	INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-2	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-3	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	• The Values Produced by Çimsa and Objectives, Page: 30-31
	203-2	• The Values Produced by Çimsa and Objectives, Page: 30-31
	PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-2	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
	103-3	• Message from the Chairman of the Board of Directors, Page: 4-5 • Message from the General Manager, Page: 6-9
GRI 204: PROCUREMENT PRACTICES 2016	204-1	• The Values Produced by Çimsa and Objectives, Page: 30-31
	ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185
	103-2	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185
	103-3	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	ANTI-CORRUPTION (Continued)	
GRI 205: ANTI-CORRUPTION 2016	205-1	As no cases of corruption were identified in the reporting period, no action was required in this regard.
	205-2	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185
	205-3	There are no confirmed incidents of corruption during the reporting period.
GRI 300: ENVIRONMENTAL STANDARD SERIES		
	MATERIALS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Environmental Management, Page: 75-77
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896 https://www.cimsa.com.tr/en/sustainability/policies/cimsa-waste-policy/cimsa-waste-policy/i-917
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896 https://www.cimsa.com.tr/en/sustainability/policies/cimsa-waste-policy/cimsa-waste-policy/i-917
GRI 301: MATERIALS 2016	301-2	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	ENERGY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Climate and Energy, Page: 70-73
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 302: ENERGY 2016	302-1	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	302-4	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	WATER	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Page: 36-37
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 303: WATER 2016	303-1	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	303-2	There are no water sources significantly affected by withdrawal of water.
	303-3	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	BIODIVERSITY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Environmental Management, Page: 77
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 304: BIODIVERSITY 2016	304-1	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	304-3	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	304-4	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	EMISSIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Environmental Management, Page: 75-77
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 305: EMISSIONS 2016	305-1	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	305-4	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	305-5	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	305-7	• Climate and Energy, Page: 70-73 • Environmental Performance Indicators, Page: 215-216
	EFFLUENTS AND WASTE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Environmental Management, Page: 75-77
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 306: EFFLUENTS AND WASTE 2016	306-1	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	306-2	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	306-5	• Environmental Management, Page: 75-77 • Environmental Performance Indicators, Page: 215-216
	ENVIRONMENTAL COMPLIANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Environmental Management, Page: 75-77
	103-2	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
	103-3	https://www.cimsa.com.tr/en/sustainability/policies/environmental-policy/environmental-policy/i-896
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There are no significant fines or sanctions in the reporting period.

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 400: SOCIAL STANDARD SERIES		
	EMPLOYMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 401: EMPLOYMENT 2016	401-1	• Employee Demographics, Page: 218-219
	401-3	• Employee Demographics, Page: 216-217
	OCCUPATIONAL HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Occupational Health and Safety, Page: 67-69
	103-2	https://www.cimsa.com.tr/en/sustainability/occupational-health-and-safety/occupational-health-and-safety-policy/occupational-health-and-safety-policy/i-937
	103-3	https://www.cimsa.com.tr/en/sustainability/occupational-health-and-safety/occupational-health-and-safety-policy/occupational-health-and-safety-policy/i-937
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-1	• Occupational Health and Safety, Page: 67-69
	403-2	• Occupational Health and Safety, Page: 67-69 • Social Performance Indicators, Page: 217
	403-4	• Occupational Health and Safety, Page: 67-69
	TRAINING AND EDUCATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 404: TRAINING AND EDUCATION 2016	404-1	• Corporate Development and Human Resources, Page: 59-66 • Social Performance Indicators, Page: 217
	404-2	• Corporate Development and Human Resources, Page: 59-66
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	DIVERSITY AND EQUAL OPPORTUNITY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	• Corporate Development and Human Resources, Page: 59-66
	NON-DISCRIMINATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185
	103-3	https://www.cimsa.com.tr/en/human-resources/work-principles/busines-ethics/business-ethics/i-185
GRI 406: NON-DISCRIMINATION 2016	406-1	There are no incidents of discrimination during the reporting period.

ÇİMSA - GRI STANDARDS INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	During the reporting period, no case was found to be under the risk of freedom of association and collective bargaining at Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.
	CHILD LABOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 408: CHILD LABOR 2016	408-1	During the reporting period, no risk of child labor was observed in Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.
	FORCED OR COMPULSORY LABOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Corporate Development and Human Resources, Page: 59-66
	103-2	• Corporate Development and Human Resources, Page: 59-66
	103-3	• Corporate Development and Human Resources, Page: 59-66
GRI 409: FORCED OR COMPULSORY LABOR 2016	409-1	During the reporting period, no risk of forced or compulsory labor was observed in Çimsa operations. The same principle is observed during the supplier audit process and no risk factors have been observed.
	CUSTOMER HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• The Values Produced by Çimsa and Objectives, Page: 30-31
	103-2	• The Values Produced by Çimsa and Objectives, Page: 30-31
	103-3	• The Values Produced by Çimsa and Objectives, Page: 30-31
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	• The Values Produced by Çimsa and Objectives, Page: 30-31
	416-2	No such case occurred during the reporting period.
	MARKETING AND LABELING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• The Values Produced by Çimsa and Objectives, Page: 30-31
	103-2	• The Values Produced by Çimsa and Objectives, Page: 30-31
	103-3	• The Values Produced by Çimsa and Objectives, Page: 30-31
GRI 417: MARKETING AND LABELING 2016	417-1	100% of Çimsa products are labeled according to legal regulations.
	417-2	No such case occurred during the reporting period.

UN GLOBAL COMPACT - 2018 COMMUNICATION ON PROGRESS

Çimsa confirms its commitment under the UN Global Compact.

The 2018 Integrated Annual Report is the 6th Communication on Progress (COP) issued by Çimsa. In the context of the 10 principles, the performance recorded in the reporting period is summarized in the following table and the related section references are presented.

Principle	Çimsa's Approach	Section of Additional Information	Page No
Businesses should support and respect the protection of internationally proclaimed human rights; and	Çimsa constantly monitors compliance with national and international norms regulating human rights, in particular the UN Declaration of Human Rights, and is passionate about the necessary practices.	Corporate Development and Human Resources, Occupational Health and Safety	59-66 67-69
Make sure that they are not complicit in human rights abuses.	Çimsa supports the protection of human rights in the business world.	Corporate Development and Human Resources, Occupational Health and Safety	59-66 67-69
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Çimsa has accepted the freedom of unionization of its employees and the right to collective bargaining and is an exemplary company in Turkey in this regard. As of the date of the report, 660 blue-collar employees are included in the collective bargaining agreement. At the reporting period 58% of Çimsa employees are union members. The union that the employees are affiliated with is T. Çimse-İş Union.	Corporate Development and Human Resources, Occupational Health and Safety	59-66 67-69
The elimination of all forms of forced and compulsory labour;	Equality of opportunity and diversity are the building blocks of the Çimsa human resource policy. Çimsa also opposes all forms of discrimination, forced and forced labor and child labor in the world and in Turkey.	Corporate Development and Human Resources, Occupational Health and Safety	59-66 67-69
The effective abolition of child labour; and	Çimsa is against child labor and supports all initiatives taken in the business world regarding child labor.	Corporate Development and Human Resources, Occupational Health and Safety	59-66 67-69
The elimination of discrimination in respect of employment and occupation.	Çimsa is against discrimination in recruitment and working processes and supports the initiatives taken in the business world regarding discrimination.	Corporate Development and Human Resources, Occupational Health and Safetyi	59-66 67-69
Businesses should support a precautionary approach to environmental challenges;	Çimsa intensively works on environment-related projects and interaction with stakeholders.	Climate and Energy, Environmental Management	70-73 74-77
Undertake initiatives to promote greater environmental responsibility; and	Çimsa supports numerous activities and events to increase awareness of environment and environmental problems in our country, and carries out projects to minimize the environmental impacts within the scope of the production cycle.	İClimate and Energy, Environmental Management	70-73 74-77
Encourage the development and diffusion of environmentally friendly technologies.	Çimsa supports the development and diffusion of environmentally friendly technologies by using the most up-to-date technologies widely within the scope of production and trade cycle.	Climate and Energy, Environmental Management	70-73 74-77
Businesses should work against corruption in all its forms, including extortion and bribery.	Çimsa supports full, accurate and effective fight against corruption and prevention of terrorism financing within the frame of related legislation and Company policies.	Corporate Governance, Risk Management, İnternal Control	93-121

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