ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 1 JANUARY- 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD ENDED 31 DECEMBER 2018

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AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

	Notes	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
ASSETS			
Current assets		**141,724,499**	**110,214,023**
Cash and cash equivalents	3	2,948,073	11,225,922
Trade receivables			
- Due from related parties	*6, 26*	*526,671*	-
- Due from non-related parties	*6*	*70,081,544*	*58,579,026*
Other receivables	7	999,599	330,038
Inventories	9	58,384,294	37,747,338
Prepaid expenses	15	1,208,793	841,855
Other current assets	16	7,575,525	1,489,844
Non-current assets		**64,837,687**	**40,144,194**
Property, plant and equipment	10	62,419,577	37,213,682
Intangible assets	11	1,992,261	779,653
Financial investments	4	20,087	20,087
Prepaid expenses	15	-	1,388,244
Deferred tax asset	24	-	302,757
Other non-current assets	16	405,762	439,771
TOTAL ASSETS		**206,562,186**	**150,358,217**

The consolidated financial statements as of and for the period ended 31 December 2018 have been approved by the Board of Directors on 21 February 2019.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

	Notes	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
LIABILITIES			
Current Liabilities		**143,435,863**	**100,942,488**
Short-term borrowings	5	67,843,481	24,603,251
Trade payables			
- Due to non-related parties	*6*	*71,059,323*	*70,254,862*
Payables related to employee benefits	8	2,131,897	1,521,427
Other payables			
- Due to related parties	*7, 26*	*330,739*	*253,521*
Current income tax liability	24	-	591,209
Short-term provisions			
- Short-term provisions for employment benefits	*12*	*273,656*	*1,020,515*
- Other short-term provisions	*12*	*74,700*	*87,750*
Deferred income	15	1,629,177	2,549,702
Other short-term liabilities	7	92,890	60,251
Long-term Liabilities		**8,191,123**	**6,799,059**
Long-term provisions			
- Long-term provisions for employment benefits	*14*	*8,184,442*	*6,799,059*
Deferred income tax liability	24	6,681	-
Equity		**54,935,200**	**42,616,670**
Issued capital	17	16,500,000	16,500,000
Adjustments to share capital	17	8,642,368	8,642,368
Other comprehensive income (losses) that will not be reclassified in profit or loss			
- Actuarial gains (losses) on defined benefit plans	*17*	*(4,538,909)*	*(3,760,426)*
Other comprehensive income (losses) that will be reclassified in profit or loss			
- Foreign currency translation differences	*17*	*4,382*	-
Restricted reserves	17	2,175,592	1,227,307
Retained earnings		13,779,136	9,242,351
Net profit for the period		18,372,631	10,765,070
TOTAL LIABILITIES AND EQUITY		**206,562,186**	**150,358,217**

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

AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

	Notes	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
Revenue	18	311,900,263	225,121,382
Cost of Sales (-)	18	(247,200,282)	(187,106,280)
GROSS PROFIT		**64,699,981**	**38,015,102**
General Administrative Expenses (-)	19	(14,026,667)	(8,661,291)
Marketing Expenses (-)	19	(13,426,250)	(9,442,786)
Research and Development Expenses (-)	19	(1,260,701)	-
Other Operating Income	21	89,131,488	28,504,354
Other Operating Expense (-)	21	(93,704,941)	(30,848,128)
OPERATİNG PROFIT		**31,412,910**	**17,567,251**
Income from Investment Activities	22	410,929	-
NET PROFİT FOR THE PERIOD		**31,823,839**	**17,567,251**
Financial Expenses (-)	23	(8,603,676)	(4,165,118)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**23,220,163**	**13,402,133**
TAXATION EXPENSE FROM CONTINUED OPERATIONS	**24**	**(4,847,532)**	**(2,637,063)**
Tax Income/(Expense) for the Period	24	(4,343,473)	(2,350,333)
Deferred Tax Income/ (Expense)	24	(504,059)	(286,730)
PROFIT FOR THE PERIOD		**18,372,631**	**10,765,070**
OTHER COMPREHENSIVE INCOME		**(778,483)**	**(576,166)**
That will be reclassified as profit or loss			
Actuarial losses on defined benefit plans	14	(973,104)	(720,208)
Other comprehensive income (losses) that will not be reclassified in profit or loss			
- Deferred Tax Income	24	194,621	144,042
Other comprehensive income (losses) that will be reclassified in profit or loss			
Foreign currency translation differences		4,382	-
OTHER COMPREHENSIVE LOSS		**(774,101)**	**(576,166)**
TOTAL COMPREHENSIVE INCOME		**17,598,530**	**10,188,904**
Earnings per share	25	1.11	0.65

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

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

				Accumulated other comprehensive income or loss that will not be reclassified to profit or loss	Accumulated other comprehensive income or loss that will be reclassified to profit or loss	Retained earnings			
	Notes	**Share Capital**	**Adjustments to share capital**	**Actuarial gains / (losses) on defined benefit plans**	**Foreign currency translation differences**	**Restricted reserves**	**Retained earnings**	**Net profit for the period**	**Equity**
Balances at 1 January 2017		**16,500,000**	**8,642,368**	**(3,184,260)**	**-**	**1,136,063**	**8,430,059**	**2,058,536**	**33,582,766**
Transfers		-	-	-	-	91,244	1,967,292	(2,058,536)	-
Dividends paid		-	-	-	-	-	(1,155,000)	-	(1,155,000)
Total comprehensive income/(expense)		-	-	(576,166)	-	-	-	10,765,070	10,188,904
- Profit for the period		-	-	-	-	-	-	*10,765,070*	*10,765,070*
- Other comprehensive income/(expense)		-	-	*(576,166)*	-	-	-	-	*(576,166)*
Balance at 31 December 2017	**17**	**16,500,000**	**8,642,368**	**(3,760,426)**	**-**	**1,227,307**	**9,242,351**	**10,765,070**	**42,616,670**
Balances at 1 January 2018		**16,500,000**	**8,642,368**	**(3,760,426)**	**-**	**1,227,307**	**9,242,351**	**10,765,070**	**42,616,670**
Transfers		-	-	-	-	948,285	9,816,785	(10,765,070)	-
Dividends paid (*)		-	-	-	-	-	(5,280,000)	-	(5,280,000)
Total comprehensive income/(expense)		-	-	(778,483)	4,382	-	-	18,372,631	17,598,530
- Profit for the period		-	-	-		-	-	*18,372,631*	*18,372,631*
- Other comprehensive income/(expense)		-	-	*(778,483)*	*4,382*	-	-	-	*(774,101)*
Balance at 31 December 2018	**17**	**16,500,000**	**8,642,368**	**(4,538,909)**	**4,382**	**2,175,592**	**13,779,136**	**18,372,631**	**54,935,200**

(*) Dividend distribution amounting to gross TRY5,280,000 has been decided in the Ordinary General Assembly Meeting for the year-ended 2017 as at 27 March 2018 and the "cash" dividend distribution has been completed as of 20 April 2018.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY - 31 DECEMBER 2018

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

	Notes	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
A. NET CASH FROM OPERATİNG ACTİVİTİES		**(4,995,365)**	**14,898,140**
Profit for the period		18,372,631	10,765,070
Adjustments regarding reconciliation of net profit (loss) for the period		**21,478,559**	**12,492,518**
- Adjustment related to depreciation and amortization	10.11	6,594,953	5,250,228
- Adjustments related to provision (reversal) of impairment			
Adjustments related to provision (reversal) of impairment of receivables	*6*	*-*	*16,417*
Adjustments related to provision of impairment on inventories	*9*	*(11,496)*	*86,840*
- Adjustments related to provisions			
Adjustments related to provisions (reversal) for lawsuits and/or penalty	*12*	*(13,050)*	*(70,172)*
Adjustments related to provisions (reversals) for employee benefits		*1,808,072*	*2,091,300*
- Adjustments related to interest (income) and expenses			
Adjustments related to interest income	*21*	*(330,270)*	*(420,305)*
Adjustments related to interest expense	*23*	*1,284,853*	*661,947*
Deferred financial income from purchase of time deposits	*21*	*(141,744)*	*(158,986)*
Deferred financial income from sales of time deposits	*21*	*465,736*	*133,272*
- Adjustments related to gain (loss) from disposal of property, plant and equipment	22	(410,929)	-
- Adjustments related to changes in unrealised foreign exchange differences		7,384,902	2,264,914
- Adjustments related to tax income	24	4,847,532	2,637,063
Changes in working capital		**(38,172,427)**	**(5,502,867)**
Adjustments for (increase)/decrease in inventories		(20,324,758)	(7,794,303)
Adjustments for (increase)/decrease in trade receivables		(12,494,925)	(11,519,151)
Adjustments regarding increase (decrease) in other receivables on operations		(6,098,751)	(2,503,000)
Adjustments regarding increase (decrease) in trade payables		946,205	14,415,142
Adjustments regarding increase (decrease) in other payables on operations		(200,198)	1,898,445
Net cash from operating activities		**1,678,763**	**17,754,721**
Income tax refunds (payments)		(4,531,476)	(1,759,124)
Employee termination benefits paid	12.14	(2,142,652)	(1,097,457)
B. NET CASH FROM INVESTING ACTIVITIES		**(32,903,229)**	**(14,504,392)**
Cash outflows from purchase of property, plant and equipment and intangible assets	10, 11	(33,609,613)	(14,504,392)
Cash inflows from purchase of property, plant and equipment and intangible assets		706,384	-
C. NET CASH FROM FINANCING ACTIVITIES		**29,631,616**	**(6,986,721)**
- Proceeds from borrowings			
Cash inflows from borrowings		*124,190,064*	*71,103,665*
Cash inflows from factoring transactions		*27,137,207*	*-*
- Cash outflows on debt payments			
Cash outflows from repayment of borrowings		*(101,980,410)*	*(54,055,898)*
Cash outflows from factoring transactions		*(13,417,334)*	*(22,723,411)*
Interest paid		(1,359,052)	(611,699)
Interest received		341,141	455,622
Dividends paid		(5,280,000)	(1,155,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION RESERVES (A+B+C)		**(8,266,978)**	**(6,592,973)**
EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**-**	**-**
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(8,266,978)**	**(6,592,973)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3**	**11,215,051**	**17,808,024**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**3**	**2,948,073**	**11,215,051**

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

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi ("the Company" or "Çelik Halat"), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, fıshery and other various manufacturing industries. The Company was established in 1962 and is registered in Turkey. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding"). The Company's main shareholder is Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency ("CRA"), the 21,82 % (31 December 2017: 20,61%) shares of Çelik Halat are to be considered in circulation as of 31 December 2018. (Note 17).

The Company established a subsidiary titled Celik Halat Netherlands B.V. (Celik Halat BV), headquartered in Amsterdam, Netherlands, to conduct sales and marketing activities for its products produced in 2018 in Europe, and the Company owns 100% of Celik Halat BV's shares.

The Company's subsidiaries (the "Subsidiaries"), their core business and the countries in which they operate are as follows:

			Share percentage in capital (%)	
Subsidiaries	**Nature of business**	**Country**	**31 December 2018**	**31 December 2017**
Celik Halat BV (*)	Sales & Marketing	Netherlands	100.00	-

(*) As of 27 September 2018, the establishment process has been completed.

The registered address of the parent company is as follows:

Ertuğrul Gazi Mah. Şehitler Caddesi No: 2 Kartepe, P.K.: 41180, Kocaeli

The number of employees of the Company as of 31 December 2018 is 406 (31 December 2017: 414)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Financial Statements

Adopted Financial Reporting Standards

The accompanying financial statements are prepared in accordance with 2016 TAS Taxonomy based on the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"), which is developed by POA in accordance with paragraph 9 (b) of Decree Law No.660 and announced to the public with Decree No: 30 dated 2 June 2016, subsequently further binded to CMB Decree No: 22/805 dated 15 July 2016 and announced to the public by CMB weekly bulletin No: 2016/22 dated 15 July 2016.

The Company maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

Adjustment to the financial statements in hyperinflationary periods

In accordance with the decision of CMB dated as 17 March 2005 and numbered 11/367, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TFRS. Accordingly, No: 29, "Financial Reporting in Hyperinflationary Economies" ("TAS 29"), has not been applied commencing from 1 January 2005.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Çelik Halat.

2.1.2 Financial statements of subsidiaries in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.2 Financial statements of subsidiaries in foreign countries (Continued)

If the group entities' functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognised as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.1.3 Consolidation and equity method accounting principles

The consolidated financial statements include the accounts of the parent company, Çelik Halat, its Subsidiaries (collectively referred as the "Group") on the basis set out in sections (a) to below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by the Group.

(a) Subsidiaries

Subsidiaries comprise of the companies directly or indirectly controlled by Çelik Halat.

Control is achieved when the Group:

- Has power over the company/asset;
- Is exposed, or has rights, to variable returns from its involvement with the company/asset; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation and equity method accounting principles (Continued)

When the Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in the relevant investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders' meetings).

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, subsidiaries are excluded from the consolidation scope. The Group has no direct and/or indirect shareholding that affects the effective ownership rate.

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Çelik Halat in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Transactions with non-controlling interests that do not result in loss of control are considered by the Group as transactions with the shareholders of the Group. A change in the ownership interest results in adjustments between the carrying amounts of the controlling and non-controlling interests to reflect their relative interest in the subsidiary. The difference between the amount of adjustment to non-controlling interests and any amount paid or received is recognized in a separate fund under the shareholders' equity of Çelik Halat.

As of 31 December 2018 and 31 December 2017, the consolidated subsidiaries and their ownership percentages are as follows:

	Effective Partnership Rates (%) 31 December 2018	**Effective Partnership Rates (%) 31 December 2017**
Celik Halat BV	100.00	-

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 31 December 2018 with 31 December 2017. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period ended 1 January - 31 December 2018, are presented comparatively with the consolidated financial statements as of the period 1 January - 31 December 2017.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS")

In the current period there is no such standard or interpretation affecting the Group's financial performance, statement of financial position, presentation or note disclosures. However, the details of standards and interpretations effective in the current period but have no effect on the consolidated financial statements and standards and interpretations not yet effective and have not been early adopted by the Group are set out below.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

A) Amendments and interpretations to existing standards and prior year standards published as of 31 December 2018

- TFRS 9, "Financial instruments"; effective from periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15, "Revenue from contracts with customers"; effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The Company evaluated the effect of this change with respect to its financial position and performance and does not expected any significant impact on its financial position and.

- Amendments to TFRS 4, "Insurance contracts" regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. Aforementioned amendment does not have significant impact on Group's financial position and performance. The amended standard will:

  - Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39, "Financial Instruments.

- Amendment to TAS 40, "Investment property" relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to TFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - TFRS 1, "First time adoption of TFRS", regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10.
  - TAS 28, "Investments in associates and joint venture" regarding measuring an associate or joint venture at fair value.

- TFRS Interpretation 22, "Foreign currency transactions and advance consideration"; effective from annual periods beginning on or after 1 January 2018. This TFRS addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- Amendment to TAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- TFRS 16, "Leases"; effective from periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and brings a far-reaching change in accounting of lessees in particular. Under TAS 17, lessees were required to make a distinction between a financial lease (on balance sheet) or an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' in the financial statements for all lease contracts that meet the conditions. For lessors, the accounting stays almost the same. However, as the definition of a lease (as well as the guidance on the combination and separation of contracts) is amended, lessors may also need to reassess their situation against the new standard. As of application of TFRS 16, existing or new lease contracts may also need to be reassessed against the new standard. Under TFRS 16, a contract is a lease or contains a lease transaction, if the contract conveys the right to control and the use of control of an identified asset for a period of time in exchange of a specified amount. The Group is planning to use the simplified transition application and not to restate comparable amounts for the year prior to the first implementation. In this way, all use right assets will be measured in terms of leasing liabilities at the transition time (adjusted according to rental costs paid in advance or accrued). As of the date of this report, impacts of the new standard on the consolidated financial positon of the Group is being assessed with including all subsidiaries of the Group.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued):

- TFRS Interpretation 23, "Uncertainty over income tax treatments"; effective from periods beginning on or after 1 January 2019. This TFRS clarifies how the recognition and measurement requirements of TAS 12, "Income taxes" are applied where there is uncertainty over income tax treatments. When there is an uncertainty in tax practices, the TFRS Interpretation Committee previously clarified that the uncertainty should be evaluated according to TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" standard, not according to TAS 12. TFRS 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRS 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- TFRS 17, "Insurance contracts"; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

    - TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    - TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
    - TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
    - TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued):

- Changes in materiality definition of TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" are valid for reporting periods beginning on or after 1 January 2020. Amendments in TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and other amendments in TFRS are as follows:

    - Use of the definition of materiality consistent with IFRS and financial reporting framework
    - Clarification on explanation of the definition of materiality, and
    - Inclusion of some guidance in TAS 1 on non-essential information

- Amendments in TFRS 3, 'Business combinations', definition of entity; are valid for reporting periods beginning on or after 1 January 2020. With this amendment, the definition of entity is revised. According to feedbacks received by the IASB, it is generally considered that the practice guidance available is very complex, and the definition of these business combinations results in a lot of processing.

- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

    - Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and;
    - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group has not yet determined the possible effects on its consolidated financial statements in consequence of applying such standards, other than the abovementioned effects, and does not expect these differences to have a significant effect on its consolidated financial statements.

2.2 Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated:

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Related parties

Related parties are people or entities that are related to the entity (reporting entity) that is preparing its financial statements.

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

- (i) Has control or joint control over the reporting entity,
- (ii) Has significant influence over the reporting entity; or,
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 26).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 3).

Trade receivables and provision for doubtful receivables

The Group's trade receivables from providing goods or services to customers are carried at net of unrealized finance income ("unearned financial income due to sales with maturity"). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named "effective interest rate". Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 6).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt "simplified approach" in TFRS 9 standard.

According to "simplified approach" of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to "lifetime expected credit loss" if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, "Financial Instruments" valid before 1 January 2018: Instead of "realised credit losses model" in Accounting and Measurement Standard, "expected credit loss model" was defined in TFRS 9 "Financial Instruments" Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Company are considered.

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables (Continued)

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 21).

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income from operating activities following the write-down of the total provision amount (Note 6, 21).

Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 9).

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

Financial assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 14). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	5-50 years
Buildings	10-50 years
Machinery and equipment	5-20 years
Motor vehicles	5-10 years
Furniture and fixtures	4-15 years

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the consolidated statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Intangible assets and related amortization

Intangible assets comprise energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of 3 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 11). Gains and losses arise from sales of intangible assets are included to other operating income and expense accounts.

Research and development costs

The costs associated with the developing the product are capitalized under the construction in progress and amortized by using straight-line method over their estimated useful lives. Following the planning phase and operation; all costs are recognized as expense.

Research expenditures are recorded as expenses on the date they are incurred. Apart from the project expenditures meeting the criteria below, development costs are also recorded as expenses on the date they are incurred:

- If product-related costs can be defined clearly and measured reliably,
- If the technical adequacy/feasibility of the product can be measured,
- If the product will be put up for sale or used within the Group,
- If there is a potential market for the product, or its usability within the Group can be proved,
- If adequate technical, financial and other required resources can be procured for the completion of the project.

The development costs meeting the criteria above are capitalized and amortized with straight-line method of depreciation in line with the related project durations (Note 10)

Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year's tax liabilities. Turkish tax legislation does not permit a parent company to file a consolidated tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

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. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 24).

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 24).

Impairment regarding financial assets

At each statement of financial position date, the Group evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the statement of profit or loss

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 5). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset. The Group pays some of its trade payables through the letter of credit agreements signed with the banks. Accordingly, such letters of credit are recognized in financial liabilities in exchange for the payment of trade payables.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Employment termination benefits

Under the Turkish Labor Law and other Law, the Company is required to pay termination benefits to each employee who achieves the retirement age, whose employment is terminated without due cause written in the related laws.

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 14).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of the statement of financial position date.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 12).

Capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by the Company when right to obtain of dividend is generated in the financial statements. Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the General Assembly (Note 17).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition

The Group adopted TFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which proposes a five step model framework mentioned below for recognizing the revenue. The Group transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue as each performance obligation is met (Note 18).

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 company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

When the Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in consolidated financial statements. When the the client takes over the control of an asset, the asset is deemed transferred.

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client.

For each performance obligation, the Company will determine whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain time of time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer. In the event that the completed transaction is entitled to the collection of a price directly corresponding to the value of the customer (in the delivery of the products), the Company enters into the financial statements the amount to be invoiced. If the Company expects to refund some or all of the amount charged to a customer to this customer, the Company reflects a return obligation to the financial statements. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions (Note 21).

TFRS 15; First pass to 'revenue from customer contracts' standard

As of 1 January 2018, TFRS 15 "Revenue from Customer Contracts", which replaces TAS 18 "Revenue" standard, has been evaluated retrospectively in terms of the cumulative effect of applying the standard for the first time. In the context of this assessment, it concluded that there was no significant impact on the past.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis under other income or other expenses

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised under other comprehensive income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions, and
- All resulting exchange differences are recognized in other comprehensive income.

As of 31 December 2018, the net foreign currency and TL equivalents of the Group's foreign operations are as follows:

Country	Currency	31 December 2018
Holland	Eur	6.0280

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

Segment reporting

The Company has the right to produce and sell energy with the autoproducer license it owns, as well as the main areas of operation described in Note 1. The company produces as much energy as it needs for its production and does not sell energy to third parties. In this context, the management of the Company does not regard energy production made for internal purposes as a separate activity department. In this context, there is no reporting according to the departments since there is only one reportable department of the Company.

Earnings/ (loss) per share

Earnings/ (loss) per share is determined by dividing net income/ (loss) by the weighted average number of shares that have been outstanding during the period concerned. (Note 25).

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years.

Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 28).

Statement of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's activities.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with three months or less to maturity.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Critical Accounting Estimates, Assumptions and Decisions

The preparation of financial statements requires management to make estimates, assumptions and estimates that affect the reported amounts of assets and liabilities, their probable commitments and undertaking as of the balance sheet date, and the amounts of income and expenses in the reporting period. Actual results may differ from estimates. Estimates are regularly reviewed, necessary corrections are made and reflected in the profit or loss table in the period in which they are realized.

The following are the assumptions made by taking into consideration the actual sources of the estimates that may be realized or materialized at the balance sheet date, which could have a significant effect on the amounts reflected in the financial statements:

a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Company's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.

b) The Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.
c) The Company's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.
d) The Company provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash	151	-
Banks		
- Demand deposits	2,947,922	4,440,432
- Time deposits	-	6,785,490
	2,948,073	**11,225,922**

As of 31 December 2018, interest rates of EUR denominated time deposits is 0 (31 December 2017: EUR: 1.70-1.85).

As of 31 December 2018, has no maturity of the time deposits (31 December 2017: Shorter than 3 months).

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents disclosed in the statements of cash flows as of 31 December 2018, 2017 and 2016 are as follows:

	31 December 2018	31 December 2017	31 December 2016
Cash and banks	2,948,073	11,225,922	17,854,212
Accrued interest (-)	-	(10,871)	(46,188)
Cash and cash equivalents	**2,948,073**	**11,215,051**	**17,808,024**

NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	31 December 2018	Share (%)	31 December 2017
Kocaeli Serbest Bölge	<1	20,087	<1	20,087
		20,087		**20,087**

NOTE 5 - SHORT-TERM FINANCIAL BORROWINGS

The details of financial borrowings at 31 December 2018 and 31 December 2017 are as follows:

Short-term borrowings

	31 December 2018	31 December 2017
Bank borrowings	53,173,433	24,603,251
Factoring borrowings	14,670,048	-
	67,843,481	**24,603,251**

a) Bank borrowings

	Original currency		Interest rate per annum (%)		TRY equivalent	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
TRY	15,799,833	1,500,000	25-30	0-7.84	15,799,833	1,500,000
EUR	6,200,000	5,116,433	1-3	0.75-1.75	37,373,600	23,103,251
					53,173,433	**24,603,251**

b) Factoring borrowings

	Original currency		TRY equivalent	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EUR	1,347,723	-	8,124,077	-
USD	1,244,268	-	6,545,971	-
			14,670,048	-

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

NOTE 5 - SHORT-TERM FINANCIAL BORROWINGS (Continued)

As of 31 December 2018 and 2017, the Company has no bank credit with float interest rate

The reconciliation of the net financial borrowings as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cash and cash equivalents (Note 3)	2,948,073	11,215,051
Short-term borrowings	(67,843,481)	(24,603,251)
	(64,895,408)	**(13,388,200)**

	Short-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2017	**(27,962,323)**	**17,808,024**	**(10,154,299)**
Cash flow effect	5,573,738	(8,180,210)	(2,606,472)
Foreign currency adjustments	(2,264,914)	1,598,108	(666,806)
Interest accruals, net	50,248	(10,871)	39,377
As of 31 December 2017	**(24,603,251)**	**11,215,051**	**(13,388,200)**
As of 1 January 2018	**(24,603,251)**	**11,215,051**	**(13,388,200)**
Cash flow effect	(35,929,527)	(10,668,851)	(46,598,378)
Foreign currency adjustments	(7,384,902)	2,401,873	(4,983,029)
Interest accruals, net	74,199	-	74,199
As of 31 December 2018	**(67,843,481)**	**2,948,073**	**(64,895,408)**

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short-term trade receivables from related parties:		
Trade receivables (Note 26)	526,671	-
	526,671	**-**
Short-term trade receivables from non- related parties		
Trade receivables	64,698,289	50,343,493
Notes and cheques receivable	6,926,092	9,312,634
	71,624,381	**59,656,127**
Unearned financial income due to sales with maturity (-)	(828,828)	(363,092)
Provision for doubtful receivables (-)	(714,009)	(714,009)
	70,081,544	**58,579,026**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2018, the average maturity of not overdue trade receivables of the Company is 76 days as of the statement of financial position date (31 December 2017: 45 days). The Company's maturity of the trade receivables of TRY, EUR and USD varies and the effective interest rates applied for trade receivables are respectively TRY: 23.59%, EUR: 2.92% and USD: 4.82% (31 December 2017: TRY: 15.38%, EUR: 2.41% and USD:3.75%). The rate used in this method and determined based on compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

The movement details of provision for doubtful receivables are as follows:

	2018	2017
1 January	**(714,009)**	**(1,323,615)**
Increase in the period	-	(16,417)
Collections and other provisions no longer required	-	440,969
Reversals	-	185,054
31 December	**(714,009)**	**(714,009)**

Trade payables to non-related parties:	31 December 2018	31 December 2017
Trade payables	71,667,956	70,721,751
Deferred financial income from purchase of time deposits (-)	(608,633)	(466,889)
Trade payables, net	**71,059,323**	**70,254,862**

As of 31 December 2018, the average maturity of trade payables are 104 days (31 December 2017: 113 days). The maturity of the trade payables of the Company varies and the effective interest rate applied for trade payables is TRY: 23.59%, EUR: 2.92% and USD: 4.82% (31 December 2017: TRY: 15.38%, EUR: 2.41% and USD: 3.75%). The rate used in this method and determined based on compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

NOTE 7 - OTHER RECEIVABLES, OTHER PAYABLES AND OTHER SHORT-TERM LIABILITIES

	31 December 2018	31 December 2017
a) Other short-term receivables:		
Receivables from tax office	598,837	-
Deposits and guarantees given	290,504	283,476
Due from personnel	54,798	34,064
Other	55,460	12,498
	999,599	**330,038**
b) Other short-term liabilities:		
Union fees and other deductions	92,890	60,251
	92,890	**60,251**

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

NOTE 7 - OTHER RECEIVABLES, OTHER PAYABLES AND OTHER SHORT-TERM LIABILITIES (Continued)

	31 December 2018	31 December 2017
c) Other short-term payables:		
Other payables to non-related parties (Note 26)	330,739	253,521
	330,739	**253,521**

NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Employee salary accruals	1,375,360	525,756
Social security deductions to be paid	756,537	995,671
	2,131,897	**1,521,427**

NOTE 9 – INVENTORIES

	31 December 2018	31 December 2017
Raw materials and supplies	22,099,531	17,180,271
Semi-finished goods	4,840,926	800,988
Finished goods	18,066,306	7,763,256
Trade goods	4,087,681	-
Goods in transit	9,365,194	12,089,663
	58,459,638	**37,834,178**
Provision for impairment of inventory (-)	(75,344)	(86,840)
	58,384,294	**37,747,338**

The cost of raw materials and supplies consumed in current period are TRY199,828,949 (31 December 2017: TRY147,099,578) (Note 18).

The movement of the provision for impairment of inventories for the periods ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	**(86,840)**	-
Increase in the period	11,496	(86,840)
31 December	**(75,344)**	**(86,840)**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions (*)	Disposal	Transfer	31 December 2018
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	2,429,260	-	-	1,252,752	3,682,012
Buildings	17,159,393	192,000	(47,197)	1,874,793	19,178,989
Machinery and equipment	101,472,402	58,295	(4,643,901)	23,054,250	119,941,046
Motor vehicles	126,261	1,292,926	(109,991)	-	1,309,196
Furniture and fixtures	10,034,899	1,892,704	(111,594)	1,668,826	13,484,835
Construction in progress	3,053,073	30,039,718	-	(29,302,556)	3,790,235
	135,267,456	**33,475,643**	**(4,912,683)**	**(1,451,935)**	**162,378,481**
Accumulated depreciation					
Land and land improvements	(954,102)	(231,732)	-	-	(1,185,834)
Buildings	(12,775,021)	(416,462)	22,988	-	(13,168,495)
Machinery and equipment	(77,413,061)	(4,951,353)	4,516,087	-	(77,848,327)
Motor vehicles	(126,261)	(54,649)	-	-	(180,910)
Furniture and fixtures	(6,785,329)	(868,162)	78,153	-	(7,575,338)
	(98,053,774)	**(6,522,358)**	**4,617,228**	**-**	**(99,958,904)**
Net book value	**37,213,682**				**62,419,577**

	1 January 2018	Additions	Disposal	Transfer	31 December 2018
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	1,626,629	-	-	802,631	2,429,260
Buildings	16,554,406	-	-	604,987	17,159,393
Machinery and equipment	93,560,205	355,958	-	7,556,239	101,472,402
Motor vehicles	126,261	-	-	-	126,261
Furniture and fixtures	8,288,499	825,744	-	920,656	10,034,899
Construction in progress	471,230	13,258,279	-	(10,676,436)	3,053,073
	121,619,398	**14,439,981**	**-**	**(791,923)**	**135,267,456**
Accumulated depreciation					
Land and land improvements	(839,554)	(114,548)	-	-	(954,102)
Buildings	(12,433,843)	(341,178)	-	-	(12,775,021)
Machinery and equipment	(73,024,374)	(4,388,687)	-	-	(77,413,061)
Motor vehicles	(126,261)	-	-	-	(126,261)
Furniture and fixtures	(6,350,577)	(434,752)	-	-	(6,785,329)
	(92,774,609)	**(5,279,165)**	**-**	**-**	**(98,053,774)**
Net book value	**28,844,789**				**37,213,682**

(*) The said investments include 11 rope machines imported from Romania and all related construction and electricity infrastructure, the "New Rope Line", renewal and infrastructure of other wire drawing and rope machines, water, cooling, environment-ventilation and floor, roof and building reinforcement investments. Within the scope of IT investments begun in the middle of 2018, a significant portion of production-planning management and SAP system investments were completed, and the transition to the SAP system was completed at the beginning of January 2019

As of 31 December 2018 and 2017, amortization expense amounting to TRY5,633,299 (31 December 2017: TRY4,285,486) accounted to cost of sales (Note 18), TRY604,635 (31 December 2017: TRY855,671) accounted to operating income (Note 19) and TRY284,424 (31 December 2017: TRY138,008) accounted to inventory (Note 20).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2018 and 2017, there is no pledge or mortgage on property, plant and equipment of Company.

There are no property, plant and equipment of Company due from financial leasing (31 December 2017: None).

NOTE 11 - INTANGIBLE ASSET

	1 January 2018	Additions	Transfer	31 December 2018
Energy production expense (1)	5,549	-	-	5,549
Information system	1,835,937	133,970	1,451,935	3,421,842
Accumulated amortization (-)	(1,061,833)	(373,297)	-	(1,435,130)
Net book value	**779,653**	**(239,327)**	**1,451,935**	**1,992,261**

	1 January 2017	Additions	Transfer	31 December 2017
Energy production expense (1)	5,549	-	-	5,549
Information system	979,603	64,411	791,923	1,835,937
Accumulated amortization (-)	(949,834)	(111,999)	-	(1,061,833)
Net book value	**35,318**	**(47,588)**	**791,923**	**779,653**

(1) Dated 19 September 2008, the Company acquired with auto producer license from electricity generation license for a period of 49 years. The company provides part of the electricity needs by converting natural gas into electricity in cogeneration system.

As of 31 December 2018, amortization amounting to TRY322,414 (31 December 2017: TRY90,918) is accounted to cost of sales (Note 18), TRY34,605 (31 December 2017: TRY18,153) accounted to other operating expense (Note 19) and TRY16,278 (31 December 2017: TRY2,928) accounted to inventories (Note 20).

NOTE 12 - OTHER SHORT TERM PROVISIONS

a) Short-term provisions related to employee benefits

	31 December 2018	31 December 2017
Provision for unused vacation	273,656	109,381
Provision for collective agreement	-	911,134
	273,656	**1,020,515**

The movement of the provision for unused vacation for the periods ended are as follows:

	2018	2017
1 January	**109,381**	**111,331**
Provision for the period	214,546	46,641
Provision no longer required	(50,271)	(48,591)
31 December	**273,656**	**109,381**

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

NOTE 12 - OTHER SHORT TERM PROVISIONS (Continued)

b) Other short-term provisions

	31 December 2018	31 December 2017
Provision for lawsuits (1)	74,700	87,750
	74,700	**87,750**

(1) There are various on-going lawsuits where the Company is defendant. All of these lawsuits are related to labor cases. The Company management evaluates the possible causes and financial impacts of these lawsuits at the end of each period and recognizes the necessary provisions as a result of this assessment. The amount of provision recognized as at 31 December 2018 is amounting to TRY74,700 (31 December 2017: TRY87,750). There are no lawsuits that the Company was not provided a provision (31 December 2017: None).

Movement of lawsuit provisions for the periods ended 31 December 2018 and 2017 is as follows:

	2018	2017
1 January	**87,750**	**213,700**
Provision for the period (Note 21)	-	8,300
Payments during the period	-	(55,778)
Provision no longer required (Note 21)	(13,050)	(78,472)
31 December	**74,700**	**87,750**

Contingent assets

	31 December 2018	31 December 2017
Guarantee letters	4,100,000	7,351,324
Mortgage	7,860,000	4,370,000
Notes	40,000	266,531
Cheques	150,000	150,000
	12,150,000	**12,137,855**

As of 31 December 2018, the Company has credit agreement related to the purchase of raw materials amounting to TRY58,975,368 (31 December 2017: TRY57,642,451). As of 31 December 2018, the Company has no letters of credit (31 December 2017: None).

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

NOTE 13 - COMMITMENTS

	31 December 2018				31 December 2017			
	TRY equivalent	**TRY**	**EUR**	**USD**	**TRY equivalent**	**TRY**	**EUR**	**USD**
A. CPM's given in the name of its own legal personality (1)	12,967,535	730,368	1,567,500	530,000	9,620,294	7,621,187	-	530,000
B. CPM's given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-	-	-
C. Total amount of other CPM's given								
i) Total amount of other CPM's given behalf of majority shareholders	-	-	-	-	-	-	-	-
ii) Total amount of CPM's given on behalf of other group companies		-	-	-	-	-	-	-
iii) Total amount of CPM's given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-	-	-
Total	**12,967,535**	**730,368**	**1,567,500**	**530,000**	**9,620,294**	**7,621,187**	-	**530,000**

(1) Comprise of guarantees which the Company has given on behalf of its own legal entity as of 31 December 2018 and 2017 and there are no pledge and mortgages given.

As at 31 December 2018 and 2017 all CPMs of the Company were given on behalf of its own legal entity.

The rate of given CPMs to the Company's total equity is 0%. (31 December 2017: 0%).

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

NOTE 14 - EMPLOYEE BENEFITS

Long-term provisions related to employee benefits:

	31 December 2018	31 December 2017
Employee termination benefits	8,184,442	6,799,059

The Company has no pension plans and benefits.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 31 December 2018, the maximum amount payable equivalent to one month of salary is TRY 5,434.42 (exact) (31 December 2017: TRY 4,732.48 (exact)for each year of service. The retirement pay provision ceiling TRY 6,017.60 (exact) which is effective from 1 January 2019, is taken into consideration in the calculation of provision for employment termination and TRY 5,001.76 (exact) effective from 1 January 2018.

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group.

The standard TAS 19 "Employee Benefits" envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 16.00 %(1) (31 December 2017: 11.50%,) inflation rate(2) applied as 11,30% (31 December 2017: 7.00%,) and increase in wages applied as 11.30% (31 December 2017: 7.00%) in the calculation.

Age of retirement is based on considering the Company's historical operating data and taken as the average age of retirement from the Group.

(1) Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of 16.00%.

(2) In the calculation of employment termination benefits, the effective returns of the longest-term inflation-indexed government bonds in TRY terms as of 31 December 2018 have been used.

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

NOTE 14 - EMPLOYEE BENEFITS (Continued)

The movement of provision for employment termination benefits within the period is as follows:

	2018	2017
1 January	**6,799,059**	**5,994,192**
Service cost	646,188	529,859
Interest cost	713,804	610,025
Loss recognized by reducing benefits	283,805	41,624
Historic service cost	-	608
Actuarial loss	973,104	720,208
Payments	(1,231,518)	(1,097,457)
31 December	**8,184,442**	**6,799,059**

NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	31 December 2018	31 December 2017
Advances given (*)	951,216	596,943
Prepaid expenses	257,577	244,912
	1,208,793	**841,855**

(*) Short-term advances given consist of advances given for purchase of product.

b) Long-term prepaid expenses

	31 December 2018	31 December 2017
Advances given (*)	-	1,388,244
	-	**1,388,244**

(*) Consist of advances given for purchase of machinery.

c) Short-term deferred income

	31 December 2018	31 December 2017
Advances given (*)	1,629,177	2,549,702
	1,629,177	**2,549,702**

(*) Consist of order advances received from customers.

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

NOTE 16 - OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets:

	31 December 2018	31 December 2017
Deferred VAT	7,417,698	1,489,844
Other	157,827	-
	7,575,525	**1,489,844**

Other non-current assets:

	31 December 2018	31 December 2017
Blocked account (*)	393,033	358,513
Deferred special consumption tax	12,729	81,258
	405,762	**439,771**

(*) As of 31 December 2018 the Company has restricted deposits amounting to TRY393,033 (31 December 2017: TRY358,513). Annual effective interest rates applied to the restricted deposits are 23% and 24%. TRY64,681 (31 December 2017: TRY58,731) of the restricted deposits is held by Takasbank regarding to the purchase of electricity at the daily market price as a result of the modification performed to the regulation of Energy Market Regularity Authority. TRY312,133 (31 December 2017: TRY299,529) is given to the customs as a Guarantee Letter. Remaining part amounting to TRY253 (31 December 2017: TRY253) consist of restricted demand deposit and amounting to TRY15,966 consist of interest accrual of restricted time deposit.

NOTE 17 - EQUITY

Issued capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company's registered capital ceiling and issued capital at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Registered authorized capital ceiling	25,000,000	25,000,000
Issued capital	16,500,000	16,500,000

The ultimate shareholders of the Company are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

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

NOTE 17 - EQUITY (Continued)

	(%)	31 December 2018	(%)	31 December 2017
Doğan Holding (1)	77.65	12,812,457	78.85	13,010,657
Publicly traded on Borsa İstanbul (2)	22.35	3,687,543	21.15	3,489,343
Issued capital	**100.00**	**16,500,000**	**100.00**	**16,500,000**
Adjustment to issued capital		8,642,368		8,642,368
Total		**25,142,368**		**25,142,368**

(1) As of 31 December 2018 and 2017, 77.65% of the shares of the Company owned by Doğan Holding, which corresponds to 15.20 % of the publicly available shares of Çelik Halat in the Stock Exchange (31 December 2017: 16.42%).

(2) In accordance with the "CMB" Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 21.82 % of the shares are outstanding as of 31 December 2018 based on the Central Registry Agency's ("CRA") records. (31 December 2017: 20.61%)

There are no privileged shares of the Company.

Adjustment to share capital represents the difference between cash and cash equivalent contributions to the total amounts adjusted for inflation added to issue share capital and amounts before inflation adjustment.

Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved according to the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The aforementioned amounts should be classified in "Restricted Reserves" in accordance with the TAS.

As of 31 December 2018, the Company's restricted reserves amounting to TRY2,175,592 (31 December 2017: TRY1,227,307) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

Actuarial gains/(losses) on defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Company. The Company recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the financial position table amounts to TRY4,538,909 (31 December 2017: TRY3,760,426).

NOTE 17 - EQUITY (Continued)

Currency translation differences

The foreign currency conversion difference, which arises from the conversion of financial statements of Group subsidiaries abroad to TRY reporting currency and was included in equities, is TRY 4,382 (31 December 2017: None).

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; “Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves” are carried at carrying value in the statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

In accordance with the CMB regulations, “Issued capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the “Issued Capital” and not yet been transferred to capital, it should be classified under “Capital adjustment difference”;

- If the difference is due to “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under “Retained Earnings/Losses”.

Capital adjustment differences have no other use than to be included to the share capital.

In the financial records for the period 31 December 2018 under the tax legislation “Extraordinary Reserves” are TRY6,811,716 (31 December 2017: TRY3,587,728).

Dividend distribution

The Company decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code (“TCC”), Capital Market Law (“CML”), Capital Market Board (“CMB”) Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

a) Retained earnings derived from the repreparation of comparative financial statements based on the first time adoption of TAS,
b) “Equity inflation adjustment differences” derived from resources that do not have any restriction regarding profit distribution,
c) Retained earnings derived from the first time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

NOTE 17 - EQUITY (Continued)

Dividend distribution (Continued)

In addition, if the financial statements include the "Purchasing Impact on Equity" item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

Under the legislation of "Communique on Financial Reporting in Capital Markets" (II-14.1) of CMB, according to the audited financial statements for the period 1 January - 31 December 2017 that are prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight, Accounting and Auditing Standards Board for which the presentation principles have been determined as per the relevant resolutions of the CMB; when "Deferred Tax Income" and "Tax Expense for the Period" are taken into consideration together, "Net Profit for the Period" amounting to Turkish Lira 10,765,070.00 has been observed, and after reserve "Restricted Reserves" amounting to Turkish Lira 469,785.00 which has been calculated based on the Turkish Commercial Code Item 519 (a) "Net Distributable Profit" observed amounting to Turkish Lira 8,925,924, the dividend distribution, "Communique on Financial Reporting in Capital Markets" (II-14.1) of CMB , according to the audited financial statements for the period 1 January - 31 December 2017 that are prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight, Accounting and Auditing Standards Board for which the presentation principles have been determined as per the relevant resolutions of the CMB and "Donation added Net Distributable Profit" amounting to Turkish Lira TRY10,551,335 is referred and in accordance with the rules of Central Securities Depository, "cash" dividend distribution amounting to Turkish Lira 5,280,000 (gross) completed as at 20 April 2018.

The CMB's requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to distribution. As of the statement of financial position date, the Company's gross amount of resources that may be subject to the profit distribution amounts to TRY25,459,093 as of 31 December 2018 (31 December 2017: TRY15,737,640).

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

NOTE 18 - REVENUE AND COST OF SALES

a) Revenue:

	1 January - 31 December 2018			1 January - 31 December 2017		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Prestressed concrete	105,389,076	24,840,820	130,229,896	89,150,006	18,345,877	107,495,883
Spring wire	44,815,000	2,783,200	47,598,200	26,810,432	3,422,358	30,232,790
Multi-strand rope	35,918,760	80,549,823	116,468,583	31,980,032	41,363,208	73,343,240
Galvanized wire	4,656,680	18,884,395	23,541,075	5,679,074	15,497,316	21,176,390
Scrap sales	3,710,439	54,541	3,764,980	2,696,830	-	2,696,830
Other	837,790	-	837,790	106,584	-	106,584
Gross profit	**195,327,745**	**127,112,779**	**322,440,524**	**156,422,958**	**78,628,759**	**235,051,717**
Sales return and discounts (-)	(10,485,720)	(54,541)	(10,540,261)	(9,930,335)	-	(9,930,335)
	184,842,025	**127,058,238**	**311,900,263**	**146,492,623**	**78,628,759**	**225,121,382**

The Company performs its foreign sales to Europe by 59% (2017: 61%), America by 36% (2017: 34%), Asia by 3% (2017: 3%) and to Africa by 2% (2017: 2%).

b) Cost of sales:

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials (Note 9)	199,828,949	147,099,578
Labor cost (Note 20)	24,208,519	19,985,576
General production cost	17,207,101	15,644,722
Amortization and depreciation expenses (Notes 10,11 and 20)	5,955,713	4,376,404
	247,200,282	**187,106,280**

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

NOTE 19 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2018				1 January - 31 December 2017			
	Marketing expenses	General administrative expenses	Research and development expenses	Total	Marketing expenses	General administrative expenses	Research and development expenses	Total
Transportation and shipping expenses	9,183,932	-	-	9,183,932	7,051,502	-	-	7,051,502
Personnel expenses (Note 20.b)	1,414,022	3,794,953	973,197	6,182,172	1,380,718	2,466,297	-	3,847,015
Service expenses	516,001	3,891,151	225,282	4,632,434	406,661	2,233,869	-	2,640,530
Benefits provided to key management personnel (Note 26.ii.b.20.b)	-	2,607,930	-	2,607,930	-	2,056,037	-	2,056,037
Advertising and marketing expenses	1,606,732	-	-	1,606,732	137,760	-	-	137,760
Litigation, notary, tax, duties and charge expenses	18,020	1,241,081	-	1,259,101	3,388	195,849	-	199,237
Donation and grants	-	675,000	-	675,000	-	256,050	-	256,050
Amortization and depreciation expense (Notes 10 and 11.20)	23,774	583,442	32,024	639,240	38,025	835,799	-	873,824
Travel and transportation expenses	285,523	190,528	30,151	506,202	239,700	135,927	-	375,627
Other	378,246	1,042,582	47	1,420,875	185,032	481,463	-	666,495
	13,426,250	**14,026,667**	**1,260,701**	**28,713,618**	**9,442,786**	**8,661,291**	**-**	**18,104,077**

NOTE 20 - EXPENSES BY NATURE

a) Amortization and depreciation expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of sales (Note 18)	5,955,713	4,376,404
General administrative expenses (Note 19)	583,442	835,799
Inventories (Notes 10 ve 11)	300,702	140,936
Sales and marketing expenses (Note 19)	23,774	38,025
Research and development costs (Note 19)	32,024	-
	6,895,655	**5,391,164**

b) Personnel expenses

	1 January - 31 December 2018	1 January - 31 December 2017
General production cost (Note 18)	24,208,519	19,985,576
General administrative expenses (Note 19)	6,402,883	4,522,334
Sales and marketing expenses (Note 19)	1,414,022	1,380,718
Research and development costs (Note 19)	973,197	-
	32,998,621	**25,888,628**

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

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING

Other income from operating activities

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	88,310,953	27,078,194
Interest income	330,270	420,305
Deferred financing expense from forward purchases [(1)]	141,744	158,986
Provisions no longer required (Notes 6 and 12)	13,050	519,441
Other	335,471	327,428
	89,131,488	**28,504,354**

(1) Prior period "Finance income from sales with maturity" reversals are included.

Other expenses from operating activities

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gains	(92,754,176)	(30,565,631)
Unearned financial income due from purchase with maturity [(1)]	(465,736)	(133,272)
Provision expenses	-	(24,717)
Other	(485,029)	(124,508)
	(93,704,941)	**(30,848,128)**

(1) Prior period "Finance expense from purchases with maturity "reversals are included.

NOTE 22 - INCOME FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Fixed asset sales profit	410,929	-
	410,929	**-**

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

NOTE 23 - FINANCIAL EXPENSE

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange loss	(7,139,783)	(3,403,620)
Borrowing interest expense	(1,130,806)	(536,866)
Factoring interest expense	(154,047)	(125,081)
Other	(179,040)	(99,551)
	(8,603,676)	**(4,165,118)**

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2018	31 December 2017
Current period tax expense	(4,343,473)	(2,350,333)
Prepaid corporate taxes	4,343,473	1,759,124
Current period tax (liability)/asset	**-**	**(591,209)**

Corporation tax

Turkey

The Corporate Tax Law has been amended as of 13 June 2006 by Law No: 5520. The majority of the clauses of Law No: 5520 are effective as of 1 January 2006. Corporate tax rate for the fiscal year 2018 is 22% (2017: 20%) for Turkey. Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction). No further tax is payable unless there is dividend distribution.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Companies calculate corporate tax quarterly at the rate of 22% over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period's corporate tax liability. If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law ("Law No. 5024") published in the Official Gazette on December 30, 2003 and the income or corporations taxpayers whose determine their profits on the basis of the statement of financial position, the financial statements are subject to inflation adjustment starting from 1 January 2004. The merger premiums which occurred as a result of the related subsidiary mergers, were classified as an equalizing account, which is neither an asset nor a liability, by the Company, in its financial statements and applied an inflation adjustment for the calculation of the corporate tax in 2004, due to the related regulations and Tax Procedural Law, titled "Inflation Adjustment Application" with number 17 and dated 24 March 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

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

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

Turkey (Continued)

Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years

A summary of significant accounting policies used in the preparation of the financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated:

<u>Exemption for participation into foreign subsidiaries</u>

For companies participating in 10% or more of the capital of a non-resident limited liability or joint stock company,(except for those whose principal activity is financial leasing or investment property) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (minimum corporate income tax applicable in Turkey for those whose principal activity is finance assurance or insurance).

The effective corporate tax rate in the Netherland where Celik Halat BV operates is 25% as of 31 December 2018.

<u>Deferred tax</u>

The Company calculates deferred income tax assets and liabilities considering the effects of temporary differences arising from different valuations between balance sheet items and KGK Financial Reporting Standards and tax financial statements. Such temporary differences arise from the recognition of revenue and expenses in different reporting periods for the financial reporting standards and tax legislation of the Company, as well as for financial losses transferred.

The rates to be applied for the deferred tax assets and liabilities calculated according to the liability method over the future long-term temporary differences are valid tax rates at the balance sheet date and these rates are included in the table above and explanations.

Movements for net deferred taxes for the periods ended at 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Current period tax expense	(4,343,473)	(2,350,333)
Deferred tax expense	(504,059)	(286,730)
	(4,847,532)	**(2,637,063)**

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

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	23,220,163	13,402,133
Tax rate 22% (2017: 20%)	(5,108,436)	(2,680,427)
Tax effect:		
Non-deductible expenses	(243,283)	(2,579)
Exceptions and discounts to be reduced	430,780	-
Effect of change in statutory tax rate on deferred tax (*)	73,937	19,069
Other	(530)	26,874
Tax expense for the period	**(4,847,532)**	**(2,637,063)**

(*) Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Turkish Trade Registry Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. As per this law, deferred tax assets and obligations were calculated in the financial statements dated 31 December 2018, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2018 and 2017 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Provision for employment termination (Note 14)	(8,184,442)	(6,799,059)	1,636,888	1,359,812
Research and development expenditure	(1,288,090)	-	283,380	-
Sales cut-off and its effect on inventory - net	(637,516)	(198,534)	140,254	43,678
Provision for unused vacation benefits (Note 12)	(273,656)	(109,381)	60,204	24,064
Provision for continued lawsuits (Note 12)	(74,700)	(87,750)	16,434	19,305
Deferred income and expenses of trade receivables and payables, net	(220,195)	-	48,443	-
Other	(358,189)	(86,886)	76,175	19,115
Deferred tax assets	**(11,036,788)**	**(7,281,610)**	**2,261,778**	**1,465,974**
Tangible and intangible assets useful lives differences	11,342,297	5,701,906	(2,268,459)	(1,140,381)
Deferred income and expenses related to the trade receivables and payables, net	-	103,797	-	(22,836)
Deferred tax liabilities	**11,342,297**	**5,805,703**	**(2,268,459)**	**(1,163,217)**
Deferred tax assets, net	**305,509**	**(1,475,907)**	**(6,681)**	**302,757**

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

NOTE 24 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

The movement details of deferred tax income for the period ended 31 December 2018 and 2017 is as follows:

	2018	2017
1 January	**302,757**	**445,445**
Current period deferred tax expense	(504,059)	(286,730)
Deferred tax income accounted in other comprehensive income	194,621	144,042
31 December	**(6,681)**	**302,757**

NOTE 25 - EARNING PER SHARE

(Loss) / Earnings per share stated in the statement of income are calculated by dividing the net (loss)/ income by the weighted average number of ordinary shares outstanding during the year.

Companies in Turkey can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issue without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Basic earnings/ (loss) per share are calculated by dividing the net (loss)/income attributable to shareholders by the weighted average number of ordinary shares in issue.

	1 January - 31 December 2018	1 January - 31 December 2017
Net profit for the period attributable to equity holders of the Parent Company	18,372,631	10,765,070
Weighted average number of shares	16,500,000	16,500,000
Earnings per share (exact TRY)	**1.11**	**0.65**

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

NOTE 26 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

a) Trade receivables:

	31 December 2018	31 December 2017
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş [(1)]	526,671	-
	526,671	**-**

(1) Comprises services given to Ditaş.

b) Other payables

	31 December 2018	31 December 2017
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. ("Değer Merkezi") [(1)]	260,639	-
Doğan Holding [(2)]	64,903	206,875
Aytemiz Akaryakıt Dağıtım A.Ş. ("Aytemiz Akaryakıt") [(3)]	5,197	2,750
Aytemiz Petrolcülük Ticaret Ltd. Şti. ("Aytemiz Petrolcülük") [(4)]	-	32,528
Yenibiriş İnsan Kaynakları Hizmetleri Dan. ve Yay A.Ş. ("Yenibiriş") [(5)]	-	11,368
	330,739	**253,521**

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.
(2) Comprises of advisory, consultancy and technical support services purchased from Doğan Holding.
(3) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(4) Comprises of fuel oil purchases from Aytemiz Petrolcülük.
(5) Comprises of human resources services purchased from Yenibiriş. The acquisition of Yenibiriş was realized by Demirören Medya Group in 2018.

ii) Transactions with related parties:

a) Product and service sales to related parties:

	1 January - 31 December 2018	1 January - 31 December 2017
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş [(1)]	564,769	-
Doel Elektirik Enerjisi Toptan Satış A.Ş [(2)]	222,032	-
	786,801	**-**

(1) Comprises services given to Ditaş.
(2) Comprises services given to Doel Elektrik.

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

NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties (Continued):

b) Products and services purchases from related parties:

Production overhead:

	1 January - 31 December 2018	1 January - 31 December 2017
DOEL Elektrik Enerjisi Toptan Satışı A.Ş. ("Doel Elektrik") (1)	808,224	-
Aytemiz Petrolcülük (2)	35,957	295,590
	844,181	**295,590**

(1) Comprises of energy purchases from Doel Elektrik.
(2) Comprises of fuel oil purchases from Aytemiz Petrolcülük.

General and administrative expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (1)	2,368,625	-
Aytemiz Akaryakıt (2)	69,625	34,023
Doğan Holding (3)	58,815	1,103,320
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş (4)	28,536	76,225
Doğan Enerji (5)	7,337	192,962
D-Market Elektronik Hizmet ve Ticaret A.Ş. (6)	89	-
Milta	-	82,298
Yenibiriş	-	16,025
Doğan Gazetecilik A.Ş.	-	12,500
Other	-	25,280
	2,533,027	**1,542,633**

(1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş.
(2) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(3) Comprises of advisory, consultancy and technical support services purchased from Doğan Holding.
(4) Comprises of consultancy services purchased from Ditaş.
(5) Comprises of rent a car services purchased from Doğan Enerji.
(6) Comprises of goods purchases from D-Market Elektronik Hizmet ve Ticaret A.Ş.

c) Benefits provided to key management personnel of Company:

The Company has designated its key management personnel as members of the board of directors, general manager and assistant general manager.

	1 January - 31 December 2018	1 January - 31 December 2017
Salaries and other short-term provisions	2,607,930	2,056,037
	2,607,930	**2,056,037**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

a) Market risk

Foreign currency risk

The Company operates internationally. The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. These risks are monitored and limited by analyzing foreign currency position.

As of 31 December 2018 and 2017, net foreign currency position of Company is as follows:

	31 December 2018	31 December 2017
Total assets	58,611,723	60,646,666
Total liabilities	(105,166,864)	(74,021,549)
Net foreign currency position	**(46,555,141)**	**(13,374,883)**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Foreign currency risk (Continued)

As of 31 December 2018 and 2017, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	31 December 2018		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	55,490,912	3,620,256	6,045,970
2. Monetary Financial Assets (Cash, banks included)	3,120,811	118,813	414,026
3. Current Assets (1+2)	**58,611,723**	**3,739,069**	**6,459,996**
4. Total Assets (3)	**58,611,723**	**3,739,069**	**6,459,996**
5. Trade Payables	(53,123,216)	(370,111)	(8,489,731)
6. Financial Liabilities (Note 5)	(52,043,648)	(1,244,268)	(7,547,723)
7. Short-Term Liabilities (5+6)	**(105,166,864)**	**(1,614,379)**	**(16,037,454)**
8. Total Liabilities (7)	**(105,166,864)**	**(1,614,379)**	**(16,037,454)**
9. Total asset related to the cash flow hedges	-	-	-
10. Total liabilities related to the cash flow hedges	-	-	-
11. Net Asset/Liability Position Of Off Statement of Financial Position	**-**	**-**	**-**
12. Net Foreign Currency Asset/(Liability) Position	**(46,555,141)**	**2,124,690**	**(9,577,458)**
13. Net Foreign Currency Asset/(Liability) Position of Monetary Items	**(46,555,141)**	**2,124,690**	**(9,577,458)**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Foreign currency risk (Continued)

	31 December 2017		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	50,129,729	1,580,597	9,781,392
2. Monetary Financial Assets (Cash, banks included)	10,516,937	372,628	2,017,810
3. Current Assets (1+2)	**60,646,666**	**1,953,225**	**11,799,202**
4. Total Assets (3)	**60,646,666**	**1,953,225**	**11,799,202**
5. Trade Payables	(50,918,298)	(498,426)	(10,859,990)
6. Financial Liabilities (Note 5)	(23,103,251)	-	(5,116,433)
7. Short-Term Liabilities (5+6)	**(74,021,549)**	**(498,426)**	**(15,976,423)**
8. Total Liabilities (7)	**(74,021,549)**	**(498,426)**	**(15,976,423)**
9. Total asset related to the cash flow hedges	-	-	-
10. Total liabilities related to the cash flow hedges	-	-	-
11. Net Asset/Liability Position Of Off Statement of Financial Position	**-**	**-**	**-**
12. Net Foreign Currency Asset/(Liability) Position	**(13,374,883)**	**1,454,799**	**(4,177,221)**
13. Net Foreign Currency Asset/(Liability) Position of Monetary Items	**(13,374,883)**	**1,454,799**	**(4,177,221)**

As of 31 December 2018 and 2017, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY5,2609 = 1 USD and TRY6,0280 = 1 EUR (31 December 2017: TRY3,7719 = 1 USD and TRY4,5155 = 1 EUR).

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 December 2018 and 31 December 2017 under the assumption of the appreciation and depreciation of TRY against other currencies by 25% with all other variables held constant, is as follows:

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Foreign currency risk (Continued)

	31 December 2018 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 25% against the TRY		
USD net (liabilities)/assets	2,794,444	(2,794,444)
Hedging amount of USD (-)	-	-
USD net effect	**2,794,444**	**(2,794,444)**
If the EUR had changed by 25% against the TRY		
A EUR net (liabilities)/assets	(14,433,229)	14,433,229
Hedging amount of EUR (-)	-	-
EUR net effect	**(14,433,229)**	**14,433,229**
Total net effect	**(11,638,785)**	**11,638,785**

	31 December 2017 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 25% against the TRY		
USD net (liabilities)/assets	1,371,839	(1,371,839)
Hedging amount of USD (-)	-	-
USD net effect	**1,371,839**	**(1,371,839)**
If the EUR had changed by 25% against the TRY		
A EUR net (liabilities)/assets	(4,715,560)	4,715,560
Hedging amount of EUR (-)	-	-
EUR net effect	**(4,715,560)**	**4,715,560**
Total net effect	**(3,343,721)**	**3,343,721**

Price risk

As the equity investments classified under financial assets of the Company are not quoted in an active market, the Company is not exposed to price risk.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Interest rate risk

The Company has interest-bearing debt with fixed interest rate. The Company is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 31 December 2018 there are no effect of 100 basis point estimated change due to company not having any loans with variable credit. (31 December 2017: None).

The analysis of average annual interest rate (%) of financial instruments of Company is as follows:

	31 December 2018	31 December 2017
Financial instruments with fixed rate		
Financial assets		
Banks (Note 3)	-	6,785,490
Financial liabilities (Note 5)	67,843,481	24,603,251

	31 December 2018			31 December 2017		
	USD	EUR	TRY	USD	EUR	TRY
Assets						
Cash and cash equivalents	-	-	-	-	1.70-1.85	-
Liabilities						
Financial liabilities	4.68-4.81	1-3	25-30	-	0.75-1.75	0-7.84

b) Credit risk

Credit risk involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by setting credit limits to individual counterparties. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Company's credit risk of financial instruments as of 31 December 2018 and 2017 is as follows:

	31 December 2018		
	Trade receivables	**Other payables**	**Bank deposits**
Exposure to maximum credit risk as at balance sheet date	**70,608,215**	**999,599**	**2,948,073**
- The part of maximum risk under guarantee with collateral etc. (1)	**46,854,228**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	56,201,502	999,599	2,948,073
- The part under guarantee with collateral etc. (1)	37,593,982	-	-
B. Net book value of past due but not impaired assets	14,406,713	-	-
- The part under guarantee with collateral etc. (1)	9,260,246	-	-
C. Impaired asset net book value			
- Past due (gross amount)	714,009	-	-
- Impairment (-) (Note 6)	(714,009)	-	-
- The part under guarantee with collateral etc.			
- Not past due (gross amount)			
- Impairment (-)	-	-	-
- The part under guarantee with collateral etc.	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

	31 December 2017		
	Trade receivables	**Other payables**	**Bank deposits**
Exposure to maximum credit risk as at balance sheet date	**58,579,026**	**330,038**	**11,225,922**
- The part of maximum risk under guarantee with collateral etc. (1)	**38,710,380**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets			
- The part under guarantee with collateral etc. (1)	52,877,941	330,038	11,225,922
B. Net book value of past due but not impaired assets	34,126,941	-	-
- The part under guarantee with collateral etc. (1)	5,701,085	-	-
C. Impaired asset net book value	4,583,439	-	-
- Past due (gross amount)			
- Impairment (-) (Note 6)	714,009	-	-
- The part under guarantee with collateral etc.	(714,009)	-	-
- Not past due (gross amount)	-	-	-
- Impairment (-)	-	-	-
- The part under guarantee with collateral etc.	-	-	-

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during the calculation of the amount.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The aging of the receivables of the Company, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	31 December 2018		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1-30 days overdue	10,403,836	-	-
1-3 months overdue	1,227,664	-	-
3-12 months overdue	2,775,213	-	-
Total	**14,406,713**	**-**	**-**
The part under guarantee with collateral (1)	**9,260,246**	**-**	**-**

	31 December 2017		
	Payables		
	Trade payables	Other payables	Bank deposits
1-30 days overdue	5,146,906	-	-
1-3 months overdue	481,527	-	-
3-12 months overdue	72,652	-	-
Total	**5,701,085**	**-**	**-**
The part under guarantee with collateral (1)	**4,583,439**	**-**	**-**

(1) Guarantees consist of guarantee letters received, collaterals, credit risk insurance and mortgages from customers.

c) Liquidity risk

Conservative 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.

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk (Continued)

As of 31 December 2018 and 2017, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	31 December 2018					
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	67,843,481	47,368,706	25,854,092	-	-	73,222,798
Trade payables due to non-related parties (Note 6)	71,059,323	41,547,408	30,120,548	-	-	71,667,956
Other payables due to related parties (Note 26)	330,739	330,739	-	-	-	330,739
Payables related to employee benefits (Note 8)	2,131,897	-	2,131,897	-	-	2,131,897
Long-term provision for employee benefits (Note 14)	8,184,442	-	-	8,184,442	-	8,184,442
Non-derivative financial liabilities	**149,549,882**	**89,246,853**	**58,106,537**	**8,184,442**	**-**	**155,537,832**

	31 December 2017					
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	24,603,251	4,107,020	20,789,922	-	-	24,896,942
Trade payables due to non-related parties (Note 6)	70,254,862	37,610,333	33,111,418	-	-	70,721,751
Other payables due to related parties (Note 26)	253,521	253,521	-	-	-	253,521
Payables related to employee benefits (Note 8)	1,521,427	-	1,521,427	-	-	1,521,427
Long-term provision for employee benefits (Note 14)	6,799,059	-	-	6,799,059	-	6,799,059
Non-derivative financial liabilities	**103,432,120**	**41,970,874**	**55,422,767**	**6,799,059**	**-**	**104,192,700**

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

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the net liability/total equity ratio. Net liability is calculated as the total liability less cash and cash equivalents, derivative instruments and tax liabilities. Total equity is calculated as the total of net liability and the equity as shown in the statement of financial position.

The net liability/total equity ratio is summarized below:

	31 December 2018	31 December 2017
Total liabilities [(1)]	151,620,305	107,150,338
Less: Cash and cash equivalents (Note 3)	(2,948,073)	(11,225,922)
Net liabilities	148,672,232	95,924,416
Total equity	54,935,200	42,616,670
Total capital	203,607,432	138,541.086
Net Liability/total capital	**0.73**	**0.69**

(1) The amounts are calculated by deducting profit for the period, income tax payable, and deferred tax liability accounts from total liability.

e) Fair value of financial instruments)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value.

NOTE 27 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

e) Fair value of financial instruments)

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at the period end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectability.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

The fair value of financial instruments traded in active markets is based on quoted market prices as at the balance sheet date. The quoted market price used for financial assets held by the Company is the current market price

Financial liabilities

The fair value of trade payables, are considered to approximate carrying value.

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates, and denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

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

- First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.

- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 31 December 2018 were approved by the Board of Directors on 21 February 2019. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

NOTE 29 - OTHER MATTERS THAT REQUIRED TO BE DISCLOSED WHICH MAY HAVE SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED IN ORDER TO MAKE FINANCIAL STATEMENTS INTERPRETABLE AND UNDERSTANDABLE

None (31 December 2017: None).

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