ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT 31 DECEMBER 2017

CONTENTS **PAGE**

AUDITED STATEMENTS OF FINANCIAL POSITION FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

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

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
ASSETS			
Current assets		**110,214,023**	**96,240,548**
Cash and cash equivalents	3	11,225,922	17,854,212
Trade receivables			
- Due from non-related parties	*6*	*58,579,026*	*46,917,306*
Other receivables	7	330,038	771,080
Inventories	9	37,747,338	29,898,939
Prepaid expenses	15	841,855	214,593
Current income tax asset	23	-	235,661
Other current assets	16	1,489,844	348,757
Non-current assets		**40,144,194**	**29,762,300**
Property, plant and equipment	10	37,213,682	28,844,789
Intangible assets	11	779,653	35,318
Financial investments	4	20,087	20,087
Prepaid expenses	15	1,388,244	-
Deferred income tax	23	302,757	445,445
Other non-current assets	16	439,771	416,661
TOTAL ASSETS		**150,358,217**	**126,002,848**

The financial statements as of and for the period ended 31 December 2017 have been approved by the Board of Directors on 26 February 2018.

AUDITED STATEMENTS OF FINANCIAL POSITION FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

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

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
LIABILITIES			
Current liabilities		**100,942,488**	**86,425,890**
Short-term borrowings	5	24,603,251	27,962,323
Other financial liabilities		-	1,411
Trade payables			
- Due to non-related parties	*6*	*70,254,862*	*55,706,448*
Payables related to employee benefits	8	1,521,427	913,477
Other payables			
- Due to related parties	*7, 25*	*253,521*	*146,652*
Current income tax liability	23	591,209	-
Short-term provisions			
- Short-term provisions for employment benefits	*12*	*1,020,515*	*111,331*
- Other short-term provisions	*12*	*87,750*	*213,700*
Deferred income	15	2,549,702	998,494
Other short-term liabilities	7	60,251	372,054
Non-current liabilities		**6,799,059**	**5,994,192**
Long-term provisions			
- Long-term provisions for employment benefits	*14*	*6,799,059*	*5,994,192*
Equity		**42,616,670**	**33,582,766**
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*	*(3,760,426)*	*(3,184,260)*
Restricted reserves	17	1,227,307	1,136,063
Retained earnings		9,242,351	8,430,059
Net profit for the period		10,765,070	2,058,536
TOTAL LIABILITIES AND EQUITY		**150,358,217**	**126,002,848**

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	Audited Current Period 1 January - 31 December 2017	Audited Prior Period 1 January - 31 December 2016
Revenue	18	225,121,382	152,904,029
Cost of Sales (-)	18	(187,106,280)	(131,329,542)
Gross Profit (Loss)		**38,015,102**	**21,574,487**
General Administrative Expenses (-)	19	(8,663,241)	(7,050,760)
Marketing Expenses (-)	19	(9,442,786)	(6,526,312)
Other Income From Operating Activities	21	28,552,945	7,735,166
Other Expenses From Operating Activities (-)	21	(30,894,769)	(9,261,382)
Operating Profit (Loss) Before Finance Income/(Expense)		**17,567,251**	**6,471,199**
Finance Income (-)	22	(4,165,118)	(3,857,901)
Profit /(Loss) Before Taxation From Continued Operations		**13,402,133**	**2,613,298**
Tax (Expense) Income From Continued Operations	**23**	**(2,637,063)**	**(554,762)**
Tax Income (Expense) for the Period	23	(2,350,333)	(497,538)
Deferred Tax (Expense) Income	23	(286,730)	(57,224)
PROFIT (LOSS) FOR THE PERIOD		**10,765,070**	**2,058,536**
OTHER COMPREHENSIVE INCOME		**(576,166)**	**(430,122)**
That will be reclassified as profit or loss			
Actuarial losses on defined benefit plans	14	(720,208)	(537,653)
Other comprehensive income (losses) that will not be reclassified in profit or loss			
-Deferred Tax(Expense)/ Income	23	144,042	107,531
OTHER COMPREHENSIVE INCOME / (LOSS)		**(576,166)**	**(430,122)**
TOTAL COMPREHENSIVE INCOME / (LOSS)		**10,188,904**	**1,628,414**
Earnings per share	24	0.65	0.12

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

AUDITED STATEMENTS OF CHANGE IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

				Other comprehensive income or loss that will not be reclassified to profit or loss		Retained earnings		
	Notes	**Issued capital**	**Adjustments to share capital**	**Actuarial gain/(losses) on defined benefit plans**	**Restricted reserves**	**Retained earnings**	**Net profit /loss for the period**	**Equity**
Balances at 1 January 2016		**16,500,000**	**8,642,368**	**(2,754,138)**	**832,018**	**8,098,425**	**635,679**	**31,954,352**
Transfers		-	-	-	304,045	331,634	(635,679)	-
Total comprehensive income / (expense)		-	-	(430,122)	-	-	2,058,536	1,628,414
- Profit /(loss) for the period		-	-	-	-	-	*2,058,536*	*2,058,536*
- Other comprehensive income		-	-	*(430,122)*	-	-	-	*(430,122)*
Balances at 31 December 2016	**17**	**16,500,000**	**8,642,368**	**(3,184,260)**	**1,136,063**	**8,430,059**	**2,058,536**	**33,582,766**
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		-	-	(576,166)	-	-	10,765,070	10,188,904
- Profit/ (loss) for the period		-	-	-	-	-	*10,765,070*	*10,765,070*
- Other comprehensive income		-	-	*(576,166)*	-	-	-	*(576,166)*
Balances at 31 December2017	**17**	**16,500,000**	**8,642,368**	**(3,760,426)**	**1,227,307**	**9,242,351**	**10,765,070**	**42,616,670**

(*) Dividend distribution amounting to gross TRY1,155,000 has been decided in the Ordinary General Assembly Meeting for the year-ended 2016 as at 28 March 2017 and the "cash" dividend distribution has been completed as of 12 May 2017.

AUDITED STATEMENTS OF CASH FLOW FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

	Notes	Audited Current Period 1 January - 31 December 2017	Audited Prior Period 1 January - 31 December 2016
A. Net Cash From Operating Activities		**14,898,140**	**24,166,064**
Profit for the period		10,765,070	2,058,536
Adjustments regarding reconciliation of net profit (loss) for the period		**12,492,518**	**9,625,632**
- Adjustment related to depreciation and amortization	10.11	5,250,228	4,770,657
- 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*	*86,840*	*(7,546)*
- Adjustments related to provisions			
Adjustments related to provisions (reversal) for lawsuits and/or penalty	*12*	*(70,172)*	147,200
Adjustments related to provisions (reversals) for employee benefits		*2,091,300*	*1,051,283*
- Adjustments related to interest (income) and expenses			
Adjustments related to interest income	*21*	*(420,305)*	(555,733)
Adjustments related to interest expense	*22*	*661,947*	708,217
Deferred financial income from purchase of time deposits	*21*	*(158,986)*	-
Deferred financial income from sales of time deposits	*21*	*133,272*	(374,058)
- Adjustments related to changes in unrealised foreign exchange differences		2,264,914	3,330,850
- Adjustments related to tax income	23	2,637,063	554,762
Changes in working capital		**(5,502,867)**	**13,954,886**
Adjustments for decrease (increase) in inventories		(7,794,303)	(6,940,641)
Adjustments for decrease (increase) in trade receivables		(11,519,151)	(7,452,059)
Adjustments regarding decrease (increase) in other receivables on operations		(2,503,000)	1,663,313
Adjustments for decrease (increase) in trade payables		14,415,142	26,253,151
Adjustments regarding decrease (increase) in other payables on operations		1,898,445	431,122
Net Cash From Operating Activities		**17,754,721**	**25,639,054**
Income tax payments	23	(1,759,124)	(36,906)
Employee termination benefits paid	14	(1,097,457)	(1,436,084)
B. Net Cash From Investing Activities		**(14,504,392)**	**(3,174,992)**
Cash outflows from purchase of property, plant and equipment and intangible assets	10, 11	(14,504,392)	(3,174,992)
C. Net Cash from Financing Activities		**(6,986,721)**	**(16,189,077)**
- Proceeds from borrowings			
Cash inflows from borrowings		*71,103,665*	34,599,974
- Cash outflows on debt payments			
Cash outflows from borrowings		*(54,055,898)*	(44,885,370)
Cash outflows from factoring transactions		*(22,723,411)*	(5,290,608)
Interest paid		(611,699)	(1,122,618)
Interest received		455,622	509,545
Dividends paid		(1,155,000)	-
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(6,592,973)**	**4,801,995**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3**	**17,808,024**	**13,006,029**
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**3**	**11,215,051**	**17,808,024**

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

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, fishery 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 number of employees of the Company as of 31 December 2017 is 414 (31 December 2016: 375).

The registered address of the Company is as follows:

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

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 20,61 % (31 December 2016: 20,61%) shares of Çelik Halat are to be considered in circulation as of 31 December 2017 (Note 17).

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

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

2.1 Basis of Presentation (Continued)

2.1.1 Preparation and Presentation of Financial Statements (Continued)

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 TAS. Accordingly, No: 29, "Financial Reporting in Hyperinflationary Economies" ("TAS 29"), has not been applied commencing from 1 January 2005.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Turkish Lira, which is the functional currency of the Company.

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

There is no standard or opinion that affects the financial performance of the Company, statement of financial position, presentation or footnotes in the current period. In addition, below, you can also find details about the standards, which apply in the current period and do not affect the financial statements of the Company, and standards, which have not yet been come into force and not applied by the Company in advance.

A) The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2017:

- Amendments to TAS 7, "Statement of cash flows"; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

    - TFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

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

2.1 Basis of Presentation (Continued)

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

B) Standards and amendments published but not yet effective as of 31 December 2017:

- TFRS 9, "Financial instruments"; effective from annual 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. 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.

- 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.

- TFRS 16, '"Leases"; effective from periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and 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' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, updated guidance on the definition of a lease (as well as the updated guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

- 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. The Company has completed detailed assessment related with the effects of aforementioned change on Company's financial position and performance and no significant impact is expected. The amended standard will:

    - give all companies that issue insurance contracts the option to recognize 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.

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

2.1 Basis of Presentation (Continued)

2.1.2 New and revised Turkish Financial Reporting Standarts ("TFRS") (Continued)

- 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. The Company has completed detailed assessment related with the effects of aforementioned change on Company's financial position and performance and no significant impact is expected.

- 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. The Company has completed detailed assessment related with the effects of aforementioned change on Company's financial position and performance and no significant impact is expected.

- 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 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.

- 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. The Company has completed detailed assessment related with the effects of aforementioned change on Company's financial position and performance and no significant impact is expected.

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

2.1 Basis of Presentation (Continued)

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

- Amendment to TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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 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. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRS 23 explains how to recognize 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.

The mentioned standards above are expected to be effective in 2018 and the following years. The Company has not yet determined the possible effects on its 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 financial statements.

2.1.3 Comparative information and restatement of previously reported financial statements

The financial statements of the Company are prepared comparatively with the previous period to identify the financial position and performance trends. The Company presents comparatively its statement of financial position as of 31 December 2017 with 31 December 2016. Statement of profit or loss and other comprehensive income, statement of cash flow and statement of changes in equity for the period ended 31 December 2017, are presented comparatively with the financial statements as of the period 1 January - 31 December 2016.

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 financial statements and significant changes are explained.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Significant Accounting Policies and Changes in Accounting Estimates and Errors

Changes in accounting policies arising from the first time adaptation of a new TAS are applied retrospectively or prospectively in accordance with the respective TAS transition requirements. Significant errors identified are corrected, retrospectively; by restating the prior period financial statements. If changes in accounting estimates only relate to one period, the change is reflected in the current period in which the change is made, if they relate to future periods, the change is both reflected in the current period in which the change is made and prospectively far future periods.

2.3 Summary of Significant Accounting Policies

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:

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)

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

2.3 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

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 25).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and 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 Company'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).

Considering the ordinary course of trade cycle of the Company, provision for doubtful receivables for the trade receivables is considered for the trade receivables for which the collection period is over the ordinary course of trade cycle considering the fact that trade receivable is in the administrative and/or legal proceedings, with or without guarantee, objective evidence etc. Additionally, the Company provides provision for its receivables for which there are no special agreed guarantees and overdue for more than a year. The amount of the provision is the difference between the carrying amount and the recoverable amount. Recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collaterals discounted based on using the original effective interest rate of the trade receivable occurred.

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 income following the write-down of the total provision amount. (Note 6.21).

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

2.3 Summary of Significant Accounting Policies (Continued)

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 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

The Company, in compliance with TAS 39, classify financial instruments as, "financial assets that their impairment and increase in fair value are reflected upon profit or loss", "investments that are held till maturity", "available for sale financial assets" ve "loans and borrowings. Classification is determined by the reason for the purchase of the financial assets during the first recording of the asset. All financial assets are presented with the cost value that primarily includes fair value of the asset and all acquisition costs related with the acquisition.

Loans and receivables are non-derivative fınancial assets with fıxed or determinable payments that are not quoted in an active market.

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 10). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). 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 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 in profit or loss.

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

2.3 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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 statement of financial position date.

Repair and maintenance expenses are charged to the 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.

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.

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.

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 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)

2.3 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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized 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 Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 23).

Current and deferred tax

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 23).

Impairment of assets

At each statement of financial position date, the Company 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.

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

2.3 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 Company arising from the retirement of the employees measured in accordance with the Turkish Labor Law (Note 14).

According to the amendment in TAS 19, the Company calculated employment benefit in accordance with the report prepared by the actuarial firm and recognized 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 Company 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 recognized by the Company 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 Company 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 recognized 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).

Share 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)

2.3 Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is the fair value amount of sales of goods and services received or receivable which resulted from Company's operations. Net sales represent the invoiced value of goods or services shipped less any trade discounts, rebates and commissions and are presented with the elimination of intercompany balances. Revenue includes the invoiced amount of goods and service sales. It is recognized on an accrual basis over the fair value of acquisition amount based on product or service delivery, transfer of significant risks and rewards related to product to the buyer, reliable estimate of revenue amount and probable economic benefits associated with the transaction will be obtained by the Company.

Revenue is initially recognized at the fair value of the consideration received or receivable when it can be measured reliably or when there is an inflow of economic benefits. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services (Note 18).

Due date difference finance income/expenses represents income/expenses occurring from forward purchases and sales. These incomes/expenses are recognized under other income and expense from operating activities as due date difference income and expense from purchases and sales with maturity during the period (Note 21).

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.

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.

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

2.3 Summary of Significant Accounting Policies (Continued)

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 24).

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 Company makes the necessary corrections to the financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of financial statements (Note 27).

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 Company's activities.

The cash flows due to investing activities indicate the Company 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.

2.4 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:

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

2.4 Critical Accounting Estimates, Assumptions and Decisions (Continued)

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 2017	31 December 2016
Cash	-	223
Banks		
- demand deposits	4,440,432	714,071
- time deposits	6,785,490	17,139,918
	11,225,922	**17,854,212**

As of 31 December 2017, interest rates of EUR denominated time deposits are between gross 1.70% and 1.85% (31 December 2016: TRY: 7.50%-11.50%, EUR: 1.40-1.75).

As of 31 December 2017, maturity of the time deposits is shorter than 3 months (31 December 2016: Shorter than 3 months).

Cash and cash equivalents disclosed in the statements of cash flows as of 31 December 2017 and 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Cash and banks	11,225,922	17,854,212	13,024,999
Accrued interest (-)	(10,871)	(46,188)	(18,970)
Cash and cash equivalents	**11,215,051**	**17,808,024**	**13,006,029**

NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	31 December 2017	Share (%)	31 December 2016
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 2017 and 31 December 2016 are as follows:

Short-term borrowings

	31 December 2017	31 December 2016
Bank borrowings	24,603,251	21,331,751
Factoring borrowings	-	6,630,572
	24,603,251	**27,962,323**

a) Bank borrowings

	Original currency		Interest rate per annum (%)		TRY equivalent	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
TRY	1,500,000	3,569,699	0-7.84	0-7.84	1,500,000	3,569,699
EUR	5,116,433	4,787,744	0.75-1.75	1.53-2.00	23,103,251	17,762,052
					24,603,251	**21,331,751**

b) Factoring borrowings

	Original currency		TRY equivalent	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EUR	-	1,787,264	-	6,630,572
			-	**6,630,572**

As of 31 December 2017 and 2016, the Company has no bank credit with float interest rate.

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS (Continued)

The reconciliation of the net financial borrowings as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents (Note 3)	11,215,051	17,808,024
Short-term borrowings	(24,603,251)	(27,962,323)
	(13,388,200)	**(10,154,299)**

	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 accrual, net	50,248	(10,871)	39,377
As of 31 December 2017	**(24,603,251)**	**11,215,051**	**(13,388,200)**

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016
Short-term trade receivables from non- related parties:		
Trade receivables	50,343,493	30,591,641
Notes and cheques receivable	9,312,634	18,171,358
	59,656,127	**48,762,999**
Unearned financial income due to sales with maturity (-)	(363,092)	(522,078)
Provision for doubtful receivables (-)	(714,009)	(1,323,615)
Trade receivables, net	**58,579,026**	**46,917,306**

As of 31 December 2017, the average maturity of not overdue trade receivables of the Company is 45 days as of the statement of financial position date (31 December 2016: 52 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: 15.38%, EUR: 2.41% and USD: 3.75% (31 December 2016: TRY: 12.68 and libor+4%). 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 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2017	**2016**
1 January	(1,323,615)	(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)**	**(1,323,615)**

Trade payables to non-related parties:	**31 December 2017**	**31 December 2016**
Trade payables	70,721,751	56,306,609
Deferred financial income from purchase of time deposits (-)	(466,889)	(600,161)
Trade payables, net	**70,254,862**	**55,706,448**

As of 31 December 2017, the average maturity of trade payables are 113 days (31 December 2016: 110 days). The maturity of the trade payables of the Company varies and the effective interest rate applied for trade payables is TRY: 15.38%, EUR: 2.41% and USD: 3.75% (31 December 2016: TRY: 12.68% and Libor+4%). 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

a) Other short-term receivables:

	31 December 2017	**31 December 2016**
Deposits and guarantees given	283,476	732,917
Due from personnel	34,064	38,163
Other	12,498	-
	330,038	**771,080**

b) Other short-term liabilities:

	31 December 2017	**31 December 2016**
Union fees and other deductions	60,251	30,340
Other	-	341,714
	60,251	**372,054**

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

c) Other short-term payables:

	31 December 2017	31 December 2016
Other payables to non-related parties (Note 25)	253,521	146,652
	253,521	**146,652**

NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2017	31 December 2016
Social security deductions to be paid	995,671	400,663
Employee salary accruals	525,756	512,814
	1,521,427	**913,477**

NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials and supplies	17,180,271	9,097,940
Semi-finished goods	800,988	1,835,871
Finished goods	7,763,256	4,618,341
Goods in transit	12,089,663	14,346,787
	37,834,178	**29,898,939**
Provision for impairment of inventory (-)	(86,840)	-
	37,747,338	**29,898,939**

The cost of raw materials and supplies consumed in current period are TRY 147,099,578 (31 December 2016: TRY 96,683,654) (Note 18).

The movement of the provision for impairment of inventories for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	-	(7,546)
Increase in the period	(86,840)	7,546
31 December	**(86,840)**	**-**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additons	Disposals	Transfers	31 December 2017
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**

	1 January 2016	Additons	Disposals	Transfers	31 December 2016
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	1,469,373	143,444	-	13,812	1,626,629
Buildings	16,141,224	149,041	-	264,141	16,554,406
Machinery and equipment	91,099,907	316,224	(55,020)	2,199,094	93,560,205
Motor vehicles	126,261	-	-	-	126,261
Furniture and fixtures	7,919,146	205,735	(67,613)	231,231	8,288,499
Construction in progress	826,375	2,353,133	-	(2,708,278)	471,230
	118,574,454	**3,167,577**	**(122,633)**	**-**	**121,619,398**
Accumulated depreciation					
Land and land improvements	(745,778)	(93,776)	-	-	(839,554)
Buildings	(12,133,240)	(300,603)	-	-	(12,433,843)
Machinery and equipment	(68,965,818)	(4,113,576)	55,020	-	(73,024,374)
Motor vehicles	(126,261)	-	-	-	(126,261)
Furniture and fixtures	(6,025,206)	(369,503)	44,132	-	(6,350,577)
	(87,996,303)	**(4,877,458)**	**99,152**	**-**	**(92,774,609)**
Net book value	**30,578,151**				**28,844,789**

As of 31 December 2017 and 2016, amortization expense amounting to TRY 4,285,486 (31 December 2016: TRY 4,413,433) accounted to cost of sales (Note 18), TRY 855,671 (31 December 2016: TRY 319,245) accounted to operating income (Note 19) and TRY 138,008 (31 December 2016: TRY 144,780) accounted to inventory (Note 20).

As of 31 December 2017 and 2016, 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 2016: None).

NOTE 11 - INTANGIBLE ASSET

	1 January 2017	Additions	Transfers	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 January 2016	Additions	Transfers	31 December 2016
Energy production expense (1)	5,549	-	-	5,549
Information system	972,188	7,415	-	979,603
Accumulated amortization (-)	(910,694)	(39,140)	-	(949,834)
Net book value	**67,043**	**(31,725)**	**-**	**35,318**

(1) Dated September 19, 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 2017, amortization amounting to TRY 90,918 (31 December 2016: TRY 35,417) is accounted to cost of sales (Note 18), TRY 18,153 (31 December 2016: TRY 2,562) accounted to other operating expense (Note 19) and TRY 2,928 (31 December 2016: TRY 1,161) accounted to inventories (Note 20).

NOTE 12 - OTHER SHORT TERM PROVISIONS

a) Short-term provisions related to employee benefits

	31 December 2017	31 December 2016
Provision for collective agreement	911,134	-
Provision for unused vacation	109,381	111,331
	1,020,515	**111,331**

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

	2017	2016
1 January	111,331	222,952
Provision for the period	46,641	360,521
Provision no longer required	(48,591)	(472,142)
31 December	**109,381**	**111,331**

NOTE 12 - OTHER SHORT TERM PROVISIONS (Continued)

b) Other short-term provisions

	31 December 2017	31 December 2016
Provision for lawsuits (1)	87,750	213,700
	87,750	**213,700**

(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 2017 is amounting to TRY 87,750 (31 December 2016: TRY 213,700). There are no lawsuits that the Company was not provided a provision (31 December 2016: None).

Movement of lawsuit provisions is as follows:

	2017	2016
1 January	213,700	140,500
Provision for the period (Note 21)	8,300	159,550
Payments during the period	(55,778)	(74,000)
Provision no longer required (Note 21)	(78,472)	(12,350)
31 December	**87,750**	**213,700**

Contingent assets

	31 December 2017	31 December 2016
Guarantee letters	7,351,324	4,850,000
Mortgage	4,370,000	3,180,000
Notes	266,531	211,748
Cheques	150,000	150,000
	12,137,855	**8,391,748**

As of 31 December 2017, the Company has credit agreement related to the purchase of raw materials amounting to TRY 57,642,451 (31 December 2016: TRY 16,859,268). As of 31 December 2017, the Company has no letters of credit (31 December 2016: TRY 125,502).

NOTE 13 - COMMITMENTS

	31 December 2017				31 December 2016			
	TRY equivalent	**TRY**	**EUR**	**USD**	**TRY equivalent**	**TRY**	**EUR**	**USD**
A. CPM's given in the name of its own legal personality (1)	9,620,294	7,621,187	-	530,000	4,014,981	2,149,805	-	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	**9,620,294**	**7,621,187**	-	**530,000**	**4,014,981**	**2,149,805**	**-**	**530,000**

(1) Comprise of guarantees which the Company has given on behalf of its own legal entity as of 31 December 2017 and 2016 and there are no pledge and mortgages given.

As at 31 December 2017 and 2016 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 2016: 0%).

NOTE 14 - EMPLOYEE BENEFITS

Long-term provisions related to employee benefits:

	31 December 2017	31 December 2016
Employee termination benefits	6,799,059	5,994,192

The Company has no pension plans and benefits.

Under the Turkish Labour Law, the Company 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 2017, the maximum amount payable equivalent to one month of salary is TRY 4.732,48 (exact) (31 December 2016: TRY 4.297,21 (exact)) for each year of service. The retirement pay provision ceiling TRY 5.001,76 which is effective from 1 January 2017, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2016: TRY 4.426,16 effective from 1 January 2017).

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 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 2017, 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 %11.50(1) (31 December 2016: %11.20), inflation rate applied as %7.00(2) (31 December 2016: %6.50) and increase in wages applied as %7.00 (31 December 2016: %6.50) 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 Company.

(1) Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of % 11.50.

(2) The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2017 has been used in calculating the liability for severance payment.

NOTE 14 - BENEFITS PROVIDED TO EMPLOYEES (Continued)

The movement details of provision for employee termination benefits are as follows:

	2017	2016
1 January	5,994,192	5,729,719
Service cost	529,859	471,521
Interest cost	610,025	558,301
Loss recognized by reducing benefits	41,624	133,082
Historic service cost	608	-
Actuarial loss	720,208	537,653
Payments	(1,097,457)	(1,436,084)
31 December	**6,799,059**	**5,994,192**

NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	31 December 2017	31 December 2016
Advances given (*)	596,943	-
Prepaid expenses	244,912	214,593
	841,855	**214,593**

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

b) Long-term prepaid expenses

	31 December 2017	31 December 2016
Advances given (*)	1,388,244	-
	1,388,244	**-**

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

c) Short-term deferred income

	31 December 2017	31 December 2016
Advances given (*)	2,549,702	998,494
	2,549,702	**998,494**

(*) Consist of order advances recieved from customers.

NOTE 16 - OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets:

	31 December 2017	31 December 2016
Deferred VAT	1,489,844	-
Deferred special consumption tax	-	295,133
Receivables from tax authority	-	53,624
	1,489,844	**348,757**

Other non-current assets:

	31 December 2017	31 December 2016
Blocked account (*)	358,513	361,169
Deferred special consumption tax	81,258	55,492
	439,771	**416,661**

(*) As of 31 December 2017 the Company has restricted deposits amounting to TRY 358,513 (31 December 2016: TRY 361,169). Annual effective interest rates applied to the restricted deposits are 4,75% and 10%. TRY 58,731 (31 December 2016: TRY 84,865) 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. TRY 299,529 (31 December 2016: 276,051 TL) is given to the customs as a Guarantee Letter. Remaining part amounting to TRY 253 (31 December 2016: TRY 253) consist of restricted demand 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 TRY 1. Company's registered capital ceiling and issued capital at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
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).

NOTE 17 - EQUITY (Continued)

	(%)	31 December 2017	(%)	31 December 2016
Doğan Holding [1]	78.85	13,010,657	78.85	13,010,657
Publicly traded on Borsa İstanbul [2]	21.15	3,489,343	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 2017 and 2016, 78,85 % of the shares of the Company owned by Doğan Holding, which corresponds to 16,42 % of the publicly available shares of Çelik Halat in the Stock Exchange.

(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 20.61% of the shares are outstanding as of 31 December 2017 and 2016 based on the Central Registry Agency's ("CRA") records.

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 2017, the Company's restricted reserves amounting to TRY 1,227,307 (31 December 2016: TRY 1,136,063) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

Accumulated Other Comprehensive Income and Expenses that will not be Reclassified in Profit or Loss

The Company's investment property revaluation reserves and actuarial losses of defined benefit plans that aren't reclassified in accumulated other comprehensive income and expenses are summarized below:

NOTE 17 - EQUITY (Continued)

i. 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 TRY 3,760,426 (31 December 2016: TRY 3,184,260).

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 2017 under the tax legislation "Extraordinary Reserves" are TRY 3,587,728 (31 December 2016: TRY 3,587,728).

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.

At the General Assembly of the Company as of 28 March 2017, 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 2016 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 2,058,536 has been observed, and after reserve "Restricted Reserves" amounting to Turkish Lira 91,244 which has been calculated based on the Turkish Commercial Code Item 519 (a) and after the addition of"Donations" in the amount of TRY 60.000 that have been realised in fiscal year 2016, within the scope of procedures of CMB related to profit distribution "Net distrituble period profit including donations" in the amount of TRY 2.027.292 has been calculated,for the period between 1 January 2016 and 31 December 2016. According to Turkish Commercial Code (TCC) and Turkish Tax Procedural Law "Net period profit" is amounted to TRY 1.824.877 for the period 1 January 2016 and 31 December 2016. "Net Distributable Profit" observed amounting to Turkish Lira 1,733,633, 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 2016 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 in accordance with the rules of Central Securities Depository, "cash" dividend distribution amounting to Turkish Lira 1,155,000 (gross) completed as at 12 May 2017.

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 TRY 15,737,640 (31 December 2016: TRY7,999,716).

NOTE 18 - REVENUE AND COST OF SALES

a) Revenue:

	1 January - 31 December 2017			1 January - 31 December 2016		
	Domestic sales	**Foreign sales**	**Total**	**Domestic sales**	**Oversea sales**	**Total**
Prestressed concrete	89,150,006	18,345,877	107,495,883	64,706,765	8,438,652	73,145,417
Multi-strand rope	31,980,032	41,363,208	73,343,240	25,604,700	27,764,138	53,368,838
Spring wire	26,810,432	3,422,358	30,232,790	21,604,295	1,282,131	22,886,426
Galvanized wire	5,679,074	15,497,316	21,176,390	2,429,548	6,066,259	8,495,807
Scrap sales	2,696,830	-	2,696,830	1,419,546	-	1,419,546
Other	106,584	-	106,584	681,015	388,891	1,069,906
Gross profit	**156,422,958**	**78,628,759**	**235,051,717**	**116,445,869**	**43,940,071**	**160,385,940**
Sales return and discounts (-)	(9,930,335)	-	(9,930,335)	(7,412,318)	(69,593)	(7,481,911)
	146,492,623	**78,628,759**	**225,121,382**	**109,033,551**	**43,870,478**	**152,904,029**

The Company performs its foreign sales to Europe by 61% (2016: 59%), America by 34% (2016: 27%), Asia by 3% (2016:13%) and to Africa by 2% (2016:1%).

b) Cost of sales:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Raw materials (Note 9)	147,099,578	96,683,654
Labor cost (Note 20)	19,985,576	15,820,011
General production cost	15,644,722	14,377,027
Amortization and depreciation expenses (Notes 10,11 and 20)	4,376,404	4,448,850
	187,106,280	**131,329,542**

NOTE 19 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2017			1 January - 31 December 2016		
	Marketing expenses	General administrative expenses	Total	Marketing expenses	General administrative expenses	Total
Transportation and shipping expenses	7,051,502	-	7,051,502	4,484,137	-	4,484,137
Personnel expenses (Note 20.b)	1,380,718	2,468,247	3,848,965	958,105	2,001,073	2,959,178
Service expenses	406,661	2,233,869	2,640,530	411,804	2,382,376	2,794,180
Benefits provided to key management personnel (Note 25.ii.b.20.b)	-	2,056,037	2,056,037	-	1,487,971	1,487,971
Amortization and depreciation expense (Notes 10 and 11.20)	38,025	835,799	873,824	53,879	267,928	321,807
Travel and transportation expenses	239,700	135,927	375,627	211,973	74,450	286,423
Donation and grants	-	256,050	256,050	-	60,000	60,000
Litigation, notary, tax, duties and charge expenses	3,388	195,849	199,237	416	285,314	285,730
Advertising and marketing expenses	137,760	-	137,760	280,046	-	280,046
Other	185,033	481,463	666,496	125,952	491,648	617,600
	9,442,786	**8,663,241**	**18,106,028**	**6,526,312**	**7,050,760**	**13,577,072**

NOTE 20 - EXPENSES BY NATURE

a) Amortization and depreciation expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Cost of sales (Note 18)	4,376,404	4,448,850
General administrative expenses (Note 19)	835,799	267,928
Inventories (Notes 10 and 11)	140,936	145,941
Sales and marketing expenses (Note 19)	38,025	53,879
	5,391,164	**4,916,598**

b) Personnel expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
General production cost (Note 18)	19,985,576	15,820,011
General administrative expenses (Note 19)	4,524,284	3,489,044
Sales and marketing expenses (Note 19)	1,380,718	958,105
	25,890,578	**20,267,160**

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	27,078,194	6,470,701
Provisions no longer required (Notes 6 and 12)	568,032	12,350
Interest income	420,305	555,733
Deferred financial expense due from purchase with maturity (1)	158,986	374,058
Indemnity receivables from insurance	-	39,854
Other	327,428	282,470
	28,552,945	**7,735,166**

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

Other expenses from operating activities

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange losses	(30,565,631)	(9,098,981)
Provision expenses (1)	(71,358)	(159,550)
Unearned financial income due from purchase with maturity (2)	(133,272)	-
Other	(124,508)	(2,851)
	(30,894,769)	**(9,261,382)**

(1) Provision expenses consist of, TRY 46,641 expenses related to the unused vacation provisions, TRY 8,300 expense related to the lawsuit provision and TRY1 6,417 expenses related to the bad debt provisions.

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

NOTE 22 - FINANCIAL EXPENSE

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange loss	(3,403,620)	(3,099,342)
Borrowing interest expense	(536,866)	(570,637)
Factoring interest expense	(125,081)	(137,580)
Other	(99,551)	(50,342)
	(4,165,118)	**(3,857,901)**

NOTE 23 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2017	31 December 2016
Current period tax expense	(2,350,333)	(497,538)
Prepaid expenses	1,759,124	733,199
Current period tax (liability)/asset	**(591,209)**	**235,661**

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 2017is 20% (2016: 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 profıt distribution and thus does not incur withholding tax.

Companies calculate corporate tax quarterly at the rate of 20% 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.

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.

NOTE 23 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

Deferred tax

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 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current period tax expense	(2,350,333)	(497,538)
Deferred tax expense	(286,730)	(57,224)
	(2,637,063)	**(554,762)**

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	13,402,133	2,613,298
Tax rate 20% (2016: 20%)	(2,680,427)	(522,660)
Tax effect:		
Non-deductible expenses	(2,579)	(32,102)
Effect of change in statutory tax rate on deferred tax (*)	19,069	-
Other, net	26,874	-
Tax expense for the period	**(2,637,063)**	**(554,762)**

(*) 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 2017, 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.

NOTE 23 - INCOME TAX (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED) (Continued)

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 2017 and 2016 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	2017	**2016**	**2017**	**2016**
Provision for employment termination (Note 14)	(6,799,059)	(5,994,192)	1,359,812	1,198,838
Sales cut-off and its effect on inventory - net	(198,534)	(279,234)	39,707	55,847
Provision for unused vacation benefits (Note 12)	(109,381)	(111,331)	24,064	22,266
Provision for continued lawsuits (Note 12)	(87,750)	(213,700)	19,305	42,740
Interest expense from borrowing and factoring	(46)	(15,001)	10	3,000
Inventories	(86,840)	11,715	19,105	(2,343)
Deferred tax assets	**(7,281,610)**	**(6,601,743)**	**1,462,003**	**1,320,348**
Tangible and intangible assets useful lives differences	5,701,906	4,131,187	(1,140,381)	(859,286)
Deferred income and expenses related to the Trade receivables and payables, net	103,797	78,083	(22,836)	(15,617)
Deferred tax liabilities	**5,805,703**	**4,209,270**	**(1,163,217)**	**(859,286)**
Deferred tax assets, net	**(1,475,907)**	**(2,392,473)**	**302,757**	**445,445**

The movement details of deferred tax income for the period ended 31 December 2017 and 2016 is as follows:

	2017	**2016**
1 January	445,445	395,138
Current period deferred tax expense	(286,730)	(57,224)
Deferred tax income accounted in other comprehensive income	144,042	107,531
31 December	**302,757**	**445,445**

NOTE 24 - 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 2017	**1 January - 31 December 2016**
Net profit for the period attributable to equity holders of the Parent Company	10,765,070	2,058,536
Weighted average number of shares	16,500,000	16,500,000
Earnings per share (exact TRY)	**0.65**	**0.12**

NOTE 25 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

a) Other payables:

	31 December 2017	**31 December 2016**
Doğan Holding (1)	206,875	108,766
Aytemiz Petrolcülük Ticaret Ltd. Şti. ("Aytemiz Petrolcülük") (2)	32,528	36,452
Yenibiriş İnsan Kaynakları Hizmetleri Dan. ve Yay. A.Ş. ("Yenibiriş") (3)	11,368	-
Aytemiz Akaryakıt Dağıtım A.Ş. ("Aytemiz Akaryakıt") (4)	2,750	1,142
Milta Turizm İşletmeleri A.Ş. ("Milta") (5)	-	292
	253,521	**146,652**

(1) Comprises of advisory, consultancy and technical support services puchased from Doğan Holding.
(2) Comprises of fuel oil purchases from Aytemiz Petrolcülük.
(3) Comprises of human resources service purchases from Yenibiriş.
(4) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(5) Divided into separate entities as at 9 March 2017 and is started to work with Marlin Oto related to the aforementioned services than the debit balance of Marlin Oto transferred to the Doğan Enerji.

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties:

a) Product and service purchases from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Doğan Holding [1]	1,103,320	986,495
Aytemiz Petrolcülük [2]	295,590	207,349
Doğan Enerji [3]	192,962	-
Milta [3]	82,298	281,949
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş [4]	76,225	48,030
Aytemiz Akaryakıt [5]	34,023	17,722
Yenibiriş [6]	16,025	8,850
Doğan Gazetecilik A.Ş. [7]	12,500	12,500
Other	25,280	1,994
	1,838,223	**1,564,889**

(1) Comprises of advisory, consultancy and technical support services puchased from Doğan Holding.
(2) Comprises of fuel oil purchases from Aytemiz Petrolcülük.
(3) Services related to the rent a car, flight ticket and accommodation were puchased from Milta. The braches of Milta have been divided into separate entities and the Company started to work with Marlin Oto regarding to the aforementioned services.
(4) Comprises of consultancy services purchased from Ditaş.
(5) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.
(6) Comprises of human resources service purchases from Yenibiriş.
(7) Comprises of ad and advertisement services purchased from Doğan Gazetecilik.

b) 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 2017	1 January - 31 December 2016
Salaries and other short-term provisions	2,056,037	1,487,971
	2,056,037	**1,487,971**

NOTE 26 - 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 2017 and 2016, net foreign currency position of Company is as follows:

	31 December 2017	**31 December 2016**
Total assets	60,646,666	28,836,495
Total liabilities	(74,021,550)	(74,788,781)
Net foreign currency position	**(13,374,884)**	**(45,952,286)**

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (continued)

Foreign currency risk (continued)

As of 31 December 2017 and 2016, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	31 December 2017		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	50,129,728	1,580,597	9,781,392
2. Monetary Financial Assets (Cash, banks included)	10,516,938	372,628	2,017,810
3. Current Assets (1+2)	**60,646,666**	**1,953,226**	**11,799,201**
4. Total Assets (3)	**60,646,666**	**1,953,226**	**11,798,941**
5. Trade Payables	(50,918,297)	(498,426)	(10,859,990)
6. Financial Liabilities (Note 5)	(23,103,253)	-	(5,116,433)
7. Short Term Liabilities (5+6)	**(74,021,550)**	**(498,426)**	**(15,976,423)**
8. Total liabilities (7)	**(74,021,550)**	**(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	**(13,374,884)**	**1,454,796**	**(4,177,482)**
13. Net Foreign Currency Asset/(Liability) Position Of Monetary Items	**(13,374,884)**	**1,454,796**	**(4,177,482)**

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Foreign currency risk (continued)

	31 December 2016		
	TRY equivalent	**USD**	**EUR**
1. Trade Receivables	19,342,765	662,472	4,585,405
2. Monetary Financial Assets (Cash, banks included)	9,493,730	155,443	2,411,573
3. Current Assets (1+2)	**28,836,495**	**817,915**	**6,996,978**
4. Total Assets (3)	**28,836,495**	**817,915**	**6,996,978**
5. Trade Payables	(50,396,159)	(19,745)	(13,565,506)
6. Financial Liabilities (Note 5)	(24,392,622)	-	(6,575,008)
7. Short Term Liabilities (5+6)	**(74,788,781)**	**(19,745)**	**(20,140,514)**
8. Total liabilities (7)	**(74,788,781)**	**(19,745)**	**(20,140,514)**
9. Total assets 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	**(45,952,286)**	**798,170**	**(13,143,536)**
13. Net Foreign Currency Asset/(Liability) Position Of Monetary Items	**(45,952,286)**	**798,170**	**(13,143,536)**

As of 31 December 2017 and 2016, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY 3,7719 = 1 USD and TRY 4,5155 = 1 EUR (31 December 2016: TRY 3,5192 = 1 USD ve TRY 3,7099 = 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 2016 and 31 December 2015 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% with all other variables held constant, is as follows:

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Foreign currency risk (continued)

	31 December 2017 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 10% against the TRY		
USD net (liabilities)/assets	548,735	(548,735)
Hedging amount of USD (-)	-	-
USD net effect	**548,735**	**(548,735)**
If the EUR had changed by 10% against the TRY		
EUR net (liabilities)/assets	(1,886,342)	1,886,342
Hedging amount of EUR (-)	-	-
EUR net effect	**(1,886,342)**	**1,886,342**
Total net effect	**(1,337,607)**	**1,337,607**

	31 December 2016 Profit/(Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
If the USD had changed by 10% against the TRY		
USD net (liabilities)/assets	280,892	(280,892)
Hedging amount of USD (-)	-	-
USD net effect	**280,892**	**(280,892)**
If the EUR had changed by 10% against the TRY		
EUR net (liabilities)/assets	(4,876,120)	4,876,120
Hedging amount of EUR (-)	-	-
EUR net effect	(4,876,120)	4,876,120
Total net effect	**(4,595,228)**	**4,595,228**

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.

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (continued)

Interest rate risk

The Company has interest-bearing debt with variable and 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 2017 there are no effect of 100 basis point estimated change due to company not having any loans with variable credit. (31 December 2016: None).

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

	31 December 2017	31 December 2016
Financial instruments with fixed rate		
Financial assets		
Banks (Note 3)	6,785,490	17,139,918
Financial liabilities (Note 5)	24,603,251	27,962,323

	31 December 2017			31 December 2016		
	USD	EUR	TRY	USD	EUR	TRY
Assets						
Cash and cash equivalents	-	1.70-1.85	-	-	1.40-1.75	7.50-11.50
Liabilities						
Financial liabilities	-	0.75-1.75	0-7.84	-	1.53-2.00	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.

NOTE 26 -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 2017 and 2016 is as follows:

	31 December 2017		
	Trade receivables	**Other receivables**	**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	52,877,941	330,038	11,225,922
- The part under guarantee with collateral etc. (1)	34,126,941	-	-
B. Net book value of past due but not impaired assets	5,701,085	-	-
- The part under guarantee with collateral etc. (1)	4,583,439	-	-
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 tlıe calculation of the amount.

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

	31 December 2016		
	Trade receivables	**Other receivables**	**Bank deposits**
Exposure to maximum credit risk as at balance sheet date	**46,917,306**	**771,080**	**17,853,989**
- The part of maximum risk under guarantee with collateral etc. (1)	**34,755,319**	**-**	**-**
A. Net book value of neither past due nor impaired financial assets	42,954,694	771,080	17,853,989
- The part under guarantee with collateral etc. (1)	30,913,259	-	-
B. Net book value of past due but not impaired assets	3,962,612	-	-
- The part under guarantee with collateral etc. (1)	3,842,060	-	-
C. Impaired asset net book value	-	-	-
- Past due (gross amount)	1,323,615	-	-
- Impairment (-) (Note 6)	(1,323,615)	-	-
- 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 tlıe calculation of the amount.

NOTE 26 - 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 2017		
	Receivables		
	Trade receivables	Other receivables	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**	**-**	**-**

	31 December 2016		
	Receivables		
	Trade receivables	Other receivables	Bank deposits
1-30 days overdue	2,544,382	-	-
1-3 months overdue	1,409,631	-	-
3-12 months overdue	8,599	-	-
Total	**3,962,612**	**-**	**-**
The part under guarantee with collateral (1)	**3,842,060**	**-**	**-**

(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.

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk (Continued)

As of 31 December 2017 and 2016, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	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 25)	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**

	31 December 2016					
	Book value	**Less than 3 months**	**3-12 months**	**1-5 years**	**On demand**	**Contractual undiscounted cash flow**
Short- term borrowings (Note 5)	27,962,323	2,257,979	25,827,229	-	-	28,085,208
Trade payables due to non-related parties (Note 6)	55,706,448	22,925,156	33,381,453	-	-	56,306,609
Other payables due to related parties (Note 25)	146,652	146,652	-	-	-	146,652
Payables related to employee benefits (Note 8)	913,477	-	913,477	-	-	913,477
Long-term provision for employee benefits (Note 14)	5,994,192	-	-	5,994,192	-	5,994,192
Non-derivative financial liabilities	**90,723,092**	**25,329,787**	**60,122,159**	**5,994,192**	**-**	**91,446,138**

NOTE 26 - 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 2017	31 December 2016
Total liability [1]	107,150,338	92,420,082
Less: Cash and cash equivalents (Note 3)	(11,225,922)	(17,854,212)
Net liability	95,924,416	74,565,870
Total equity	42,616,670	33,582,766
Total capital	138,541,086	108,148.636
Net Liability/total capital	**0.69**	**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 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

e) Fair value of financial instruments (Continued)

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 27 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 31 December 2017 were approved by the Board of Directors on 27 February 2018. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

Conclusion of Negotiations on Collective Labor Agreements

The conditions of the Collective Labor Agreement signed between the Turkish Employers Association of Metal Industries, which the Company is a member, and Türk Metal Association as at 30 January 2018 which will be valid between 30 September 2017 - 30 August 2019, are stated below:

- Conveyed to per hour fee TRY 9 for the first six month, an increase of TRY 1.60 per hour completed and for the each earned year of employment termination benefit one-off addition (15 years ceiling) completed amounting to TRY 0,10 per hour. It has been decided that there will be a salary increase in accordance with the Consumer Price Index ("CPI") fort he second, third and fourth six-month periods of the agreement.

- All welfare benefits increased by 23% for the initial year of the agreement, the increase for the second year has been decided at CPI rate

- Mutual agreement has been reached in order to provide Supplemental Health Insurance with the 2017-2019 Collective Labor Agreement.

NOTE 28 - 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 2016: None).

…………….……