

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 1 JANUARY - 30 JUNE 2020**

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

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

	Notes	Reviewed Current Period 30 June 2020	Audited Prior Period 31 December 2019
ASSETS			
Current assets		145.362.390	165.895.448
Cash and cash equivalents	3	6.716.085	17.230.550
Trade receivables			
- Due from related parties	27	45.676	324.199
- Due from non-related parties	6	55.799.411	72.823.668
Other receivables			
- Due from non-related parties	7	633.661	4.658.862
Inventories	9	70.550.123	62.790.623
Prepaid expenses	16	2.360.857	2.047.540
Other current assets	17	9.256.577	6.020.006
Non-current assets		75.320.061	73.829.529
Right of use assets	10	921.243	83.781
Property, plant and equipment	11	61.072.684	61.218.226
Intangible assets	12	8.030.786	7.690.716
Financial investments	4	20.087	20.087
Deferred income tax	25	4.646.601	4.149.042
Other non-current assets	17	628.660	667.677
TOTAL ASSETS		220.682.451	239.724.977

The consolidated financial statements as of and for the period ended 30 June 2020 have been approved by the Board of Directors on 11 August 2020.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

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

Notes	Reviewed Current Period 31 December 2020	Audited Prior Period 31 December 2019
LIABILITIES		
Current Liabilities	187.416.808	195.547.886
Short-term borrowings		
Short-term borrowings from non-related parties		
- <i>Bank loans</i>	5 93.653.013	73.156.600
Short-term portion of long- term borrowings		
Short-term portion of long term borrowings from non-related parties		
- <i>Lease borrowings</i>	5 1.098.170	-
Short-term portion of long- term borrowings		
Short-term portion of long term borrowings from related parties		
- <i>Lease borrowings</i>	5 36.017	96.712
Trade payables		
- <i>Due to non-related parties</i>	6 88.775.274	117.414.881
Payables related to		
employee benefits	8 1.049.222	992.424
Other payables		
- Due to related parties	7, 27 1.040.669	895.290
Short-term provisions		
- <i>Short-term provisions for</i>		
<i>employment benefits</i>	13 640.780	1.730.589
- <i>Other short-term provisions</i>	13 22.000	173.426
Deferred income (Except obligations arising		
from customer contracts)	16 386.845	907.472
Other short-term liabilities	7 714.818	180.492
Non-current liabilities	11.497.401	10.692.353
Long-term provisions		
- <i>Long-term provisions for</i>		
<i>employment benefits</i>	15 11.497.401	10.692.353
Deferred tax liabilities	25 -	-
Equity	21.768.242	33.484.738
Share capital	18 16.500.000	16.500.000
Adjustments to share capital	18 8.642.368	8.642.368
Other comprehensive income (losses) that		
will not be reclassified in profit or loss		
Actuarial gains (losses)		
- <i>Actuarial gains (losses) on defined</i>		
<i>benefit plans</i>	18 (5.504.130)	(5.504.130)
Other comprehensive income (losses) that		
will not be reclassified in profit or loss		
- <i>Foreign exchange differences</i>	18 (160.335)	(33.245)
Restricted reserves	18 3.906.090	3.906.090
Retained earnings	9.973.655	20.421.269
Net profit/(loss) for the period	(11.589.406)	(10.447.614)
TOTAL LIABILITIES AND EQUITY	220.682.451	239.724.977

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020

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

	Notes	Reviewed Current Period 1 January - 30 June 2020	Unreviewed Current Period 1 April - 30 June 2020	Reviewed Prior Period 1 January - 30 June 2019	Unreviewed Prior Period 1 April - 30 June 2019
Revenue	19	135.215.026	47.568.773	164.176.371	89.516.999
Cost of Sales (-)	19	(116.431.566)	(40.739.788)	(142.397.685)	(76.289.842)
Gross Profit		18.783.460	6.828.985	21.778.686	13.227.157
General Administrative Expenses (-)	20	(7.940.507)	(3.743.894)	(7.499.629)	(4.092.845)
Marketing Expenses (-)	20	(10.469.425)	(4.620.737)	(9.797.035)	(4.962.842)
Research and Development Expenses (-)	20	(793.167)	(321.678)	(1.373.363)	(701.810)
Other Income from Operating Activities	22	12.295.020	5.553.653	11.071.212	4.584.109
Other Expenses from Operating Activities (-)	22	(12.867.089)	(6.283.093)	(10.280.304)	(4.508.942)
Operating Profit		(991.708)	(2.586.764)	3.899.567	3.544.827
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE/(INCOME)		(991.708)	(2.586.764)	3.899.567	3.544.827
Finance Expense (-)	23	(11.095.257)	(5.524.699)	(8.404.884)	(3.971.414)
PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		(12.086.965)	(8.111.463)	(4.505.317)	(426.587)
Tax Expense/Income					
From Continued Operations	24	497.559	152.237	320.081	(558.580)
Tax Income/ (Expense) for the Period	24	-	-	-	-
Deferred Tax Income/ (Expense)	24	497.559	152.237	320.081	(558.580)
PROFIT/ (LOSS) FOR THE PERIOD		(11.589.406)	(7.959.226)	(4.185.236)	(985.167)
OTHER COMPREHENSIVE INCOME/ (LOSS)					
That will be reclassified s as profit or loss					
Foreign exchange differences		(127.090)	(61.217)	(16.415)	(7.034)
OTHER COMPREHENSIVE INCOME/ (LOSS)		(127.090)	(61.217)	(16.415)	(7.034)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(11.716.496)	(8.020.443)	(4.201.651)	(992.201)
Gain/(Loss) Per Share	25	(0,70)	(0,48)	(0,25)	(0,06)

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020

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

	Notes	Paid-in capital	Adjustments to share capital	Other comprehensive income or loss that will not be reclassified to profit or loss	Reclassified to profit or loss	Restricted reserves	Retained earnings		Equity
				Actuarial gain/(losses) on defined benefit plans	Foreign exchange differences		Retained earnings	Net profit/(Loss) for the period	
Balances at 1 January 2019		16.500.000	8.642.368	(4.538.909)	4.382	2.175.592	13.779.136	18.372.631	54.935.200
Transfers		-	-	-	-	1.730.497	16.642.134	(18.372.631)	-
Dividends paid		-	-	-	-	-	(10.000.000)	-	(10.000.000)
Total comprehensive income/(expense)		-	-	-	(16.415)	-	-	(4.185.236)	(4.201.651)
Balances at 30 June 2019	18	16.500.000	8.642.368	(4.538.909)	(12.033)	3.906.089	20.421.270	(4.185.236)	40.733.549
Balances at 1 January 2020		16.500.000	8.642.368	(5.504.130)	(33.245)	3.906.090	20.421.269	(10.447.614)	33.484.738
Transfers		-	-	-	-	-	(10.447.614)	10.447.614	-
Dividends paid		-	-	-	-	-	-	-	-
Total comprehensive income/(expense)		-	-	-	(127.090)	-	-	(11.589.406)	(11.716.496)
Balances at 30 June 2020	18	16.500.000	8.642.368	(5.504.130)	(160.335)	3.906.090	9.973.655	(11.589.406)	21.768.242

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020

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

Notes	Reviewed Current Period 1 January- 30 June 2020	Reviewed Prior Period 1 January - 30 June 2019
A. NET CASH FROM OPERATING ACTIVITIES	(12.561.261)	21.578.102
Profit for the period/(loss)	(11.589.406)	(4.185.236)
Adjustments regarding reconciliation of net profit (loss) for the period	18.916.850	17.558.923
Adjustment related to depreciation and amortization	10, 11, 12 6.302.587	6.691.103
Adjustments related to provision (reversal) of impairment		
<i>Adjustments related to provision of impairment on inventories</i>	9 -	(75.344)
<i>Adjustments related to provision (reversal) of impairment of receivables</i>	6 130.797	807.079
Adjustments related to provisions		
<i>Adjustments related to provisions (reversal) for lawsuits and/or penalty</i>	13 (28.000)	57.200
<i>Adjustments related to provisions (reversals) for employee benefits</i>	13, 15 1.594.464	1.664.871
<i>Adjustments related to other provisions</i>	(123.426)	-
Adjustments related to interest (income) and expenses		
<i>Adjustments related to interest income</i>	22 (149.953)	(92.102)
<i>Adjustments related to interest expense</i>	23 2.212.844	1.504.728
<i>Deferred financial income from purchase of time deposits</i>	22 282.886	297.556
<i>Deferred financial income from sales of time deposits</i>	22 (234.002)	(125.161)
Adjustments related to changes in unrealised foreign exchange differences	9.426.212	7.149.074
Adjustments related to tax expense/(income)	25 (497.559)	(320.081)
Changes in working capital	(19.378.513)	9.210.885
Adjustments for decrease (increase) in inventories	(7.223.178)	1.438.534
Adjustments for decrease (increase) in trade receivables	17.405.985	(15.765.234)
Adjustments regarding decrease (increase) in other receivables on operations	514.330	(9.080.524)
Adjustments for decrease (increase) in trade payables	(28.922.493)	33.752.273
Adjustments regarding decrease (increase) in other payables on operations	(1.153.157)	(1.134.164)
Net Cash from Operating Activities	(12.051.069)	22.584.572
Employee termination benefits paid	13,15 (510.192)	(1.006.470)
B. NET CASH FROM INVESTING ACTIVITIES	(6.080.975)	(7.729.109)
Cash outflows from purchase of property, plant and equipment and intangible assets	(6.080.975)	(7.729.109)
Cash inflows due to sale of property, plant, equipment and intangible assets	-	-
C. NET CASH FROM FINANCING ACTIVITIES	8.127.771	(15.231.492)
Proceeds from borrowings	142.282.096	91.987.581
<i>Cash inflows from borrowings</i>	-	12.641.362
<i>Cash inflows from factoring transactions</i>		
Cash outflows on debt payments	(131.778.470)	(81.085.853)
<i>Cash outflows from borrowings</i>	-	(28.787.105)
<i>Cash outflows from factoring transactions</i>	(1.623.488)	(1.504.728)
Interest paid	149.953	92.102
Interest received	-	(10.000.000)
Cash outflows due to payments of lease agreements	5 (902.320)	1.425.149
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(10.514.465)	(1.382.499)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17.230.550	2.948.073
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	6.716.085	1.565.574

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi (“the Company” or “Çelik Halat”), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, 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 Company is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency (“CRA”), the 21.82% (31 December 2019: 21.82%) shares of Çelik Halat are to be considered in circulation as of 30 June 2019 (Note 18).

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

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

Subsidiaries	Nature of business	Establishment and place of activity	Share capital ratio (%)	
			30 June 2020	31 December 2019
Celik Halat BV (*)	Sales and Marketing	Netherlands	100.00	100.00

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

The number of employees of the Company as of 30 June 2020 is 393 (31 December 2019: 394).

The registered address of the parent company is as follows:

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Consolidated Financial Statements

Adopted Financial Reporting Standards

The accompanying consolidated financial statements are prepared in accordance with 2019 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 Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

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

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

Adjustment to the financial statements in hyperinflationary periods

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

Functional and presentation currency

Functional currency is defined as the currency in which the entity carries out a significant portion of its activities. The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Çelik Halat.

2.1.2 Financial statements of subsidiaries and joint ventures operating in foreign countries

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

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

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

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Amendments to International Financial Reporting Standards

a) *Standards, amendments and interpretations applicable as at 30 June 2020:*

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) Clarify the explanation of the definition of material; and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3- definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **Amendment to TFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to FRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Amendments to International Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

- **IFRS 17, ‘Insurance contracts’**; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**; effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IAS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from their effective dates. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the financial statements of the Company.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.4 Consolidation and equity method accounting principles

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

Subsidiaries

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

Control is achieved when the Group:

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

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.4 Consolidation and equity method accounting principles (Continued)

Subsidiaries (Continued)

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

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

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

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

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

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

Changes in ownership interest

The group assesses transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their indirect interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity of Çelik Halat.

As of 30 June 2020 and 31 December 2019, the consolidated subsidiaries and their ownership percentages are as follows:

	Proportion of effective ownership interest (%) 30 June 2020	Proportion of effective ownership interest (%) 31 December 2019
Celik Halat BV	100.00	100.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 30 June 2020 with 31 December 2019. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the interim period ended 1 January - 30 June 2020, are presented comparatively with the consolidated financial statements as of the interim period 1 January - 30 June 2019.

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

2.1.6 Offsetting

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

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

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

2.2 Summary of Significant Accounting Policies

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

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.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

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

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

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company’s subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 27).

Cash and cash equivalents

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables

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

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

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

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

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

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 22).

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognized as other income from operating activities following the write-down of the total provision amount (Note 6, 22).

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

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

Financial Assets

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

(a) Financial assets carried at amortized cost

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

Impairment

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

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

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

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 12). Gains and losses arise from sales of intangible assets are included to other operating income and expense accounts.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

2.2 Summary of Significant Accounting Policies (Continued)

Development costs

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

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

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

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

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 (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 25).

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 25).

Impairment regarding financial assets

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

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 5). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset.

Employment termination benefits

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

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 15).

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

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

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

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 13).

Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 18).

Revenue recognition

In accordance with TFRS 15 “Revenue from Customer Contracts given effective from 1 January 2018, the Company transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue (Note 19).

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

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

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

For each performance obligation, the Group will determine whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain time of time. The Group records revenue from product sales in the financial statements following the transfer of control to the customer. In the event that the completed transaction is entitled to the collection of a price directly corresponding to the value of the customer (in the delivery of the products), the Group enters into the financial statements the amount to be invoiced. If the Group expects to refund some or all of the amount charged to a customer to this customer, the Group reflects a return obligation to the financial statements. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions (Note 22).

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

As of 1 January 2019, TFRS 15 “Revenue from Customer Contracts”, which replaces TAS 18 “Revenue” standard, has been evaluated retrospectively in terms of the cumulative effect of applying the standard for the first time. In the context of this assessment, it concluded that there was no significant impact on the past.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Group - as a lessee

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
 - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or,
 - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

The right of use asset

The right-of-use asset is initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

- a) Deducting the accumulated depreciation and accumulated impairment losses and,
- b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Group applies depreciation provisions in “TAS 16 Property, Plant and Equipment” while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the “TAS 36 Impairment of Assets” standard is implemented.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Group - as a lessee (Continued)

Lease liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments,
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started,
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability,
 - b) Reducing the book value by reflecting the lease payments made,
 - c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any.
- The group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

Foreign currency transactions and balances

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

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

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

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

A significant portion of the Group’s foreign operations is performed in Europe Foreign currencies and exchange rates at 30 June 2020 and 31 December 2019 are summarized below:

	Currency	30 June 2020	31 December 2019
Netherlands	EUR	7,7084	6,6506

Segment reporting of financial information

The Group 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 Group 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 Group 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 Group.

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

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

2.2 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 26).

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

Subsequent events

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

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 29).

Statement of cash flows

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

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

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

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

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

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Statement of cash flows (Continued)

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

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

- a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Company's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.
- b) The Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.
- c) The Company's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.
- d) The Company provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.
- e) The Group capitalizes ongoing development expenses and evaluates whether there is any impairment on these capitalized assets annually. As of 30 June 2020 and 31 December 2019, there is no impairment of capitalized development expenses.

2.3 Significant Developments in the Current Period

The group suspended its production activities temporarily between 1 April and 4 May 2020 in order to ensure occupational safety and protect the health of their employees within the scope of the fight against the spread of the COVID-19 outbreak. Due to the high level of fixed costs, the consolidated financial statements were affected negatively by this process.

After COVID-19 broke out, as a result of developments/slowdowns both in overall financial activity and in the sector the group operates in, sales processes slowed in the countries the group operates in. Because of the decline in demand due to the negative impact of the outbreak on the US economy and the increase of EUR/USD parity, the sales prices of exports to the US declined. Due to the shrinkage in the market and slowing demand, capacity cannot be fully utilized. In addition to decreasing raw material costs, the pressure of further decreases in sales prices also had a negative impact on the consolidated financial statements.

In the meantime, the group took action to minimise investment expenses, operational costs and inventories, and reviewed the cash management strategy to strengthen liquidity position.

Through this process, company management took the necessary actions to minimise as much as possible the potential impact of COVID-19 on the group's operations and financial status. There were no delays in payments to suppliers or collection of receivables.

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

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

2.3 Significant Developments in the Current Period (Continued)

It is still unclear, both in Turkey and around the world, how long the impact of the COVID-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the severity and duration of the impact becomes more evident. In addition, potential impacts of the COVID-19 outbreak were taken into account when preparing the interim consolidated financial statements dated 30 June 2020, and the estimations and assumptions used when preparing the financial statements were reviewed. In this context, the company tested potential impairments to the value of financial assets, inventories, property, plant and equipment in the interim financial statements dated 30 June 2020 and did not find any impairment.

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash	6.221	112
Banks		
- Demand deposits	6.709.864	17.230.438
	6.716.085	17.230.550

As of 30 June 2020, there is no remaining time to maturity of time deposits.

Cash and cash equivalents disclosed in the statements of cash flows as of 30 June 2020, 30 June 2019, 31 December 2019 are as follows:

	30 June 2020	31 December 2020	30 June 2019	31 December 2019
Cash and banks	6.716.085	17.230.550	1.565.574	2.948.073
Accrued interest (-)	-	-	-	-
	6.716.085	17.230.550	1.565.574	2.948.073

NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	30 June 2020	Share (%)	31 December 2019
Kocaeli Serbest Bölge	<1	20.087	<1	20.087
		20.087		20.087

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS

The details of financial borrowings at 30 June 2020 and 31 December 2019 are as follows:

Short-term borrowings

	30 June 2020	31 December 2019
Bank borrowings	93.653.013	73.156.600
	93.653.013	73.156.600

Short-term parts of long-term borrowings

	30 June 2020	31 December 2019
Borrowings from leasing transactions – third parties	1.098.170	-
Borrowings from leasing transactions - related parties	36.017	96.712
	1.134.187	96.712

The movement table of the borrowings from the leasing transactions is as follows:

	2020	2019
1 January	96.712	2.376.384
Increase in the period	1.789.924	-
Payments	(902.320)	(1.164.550)
Interest expenses (Note 24)	134.606	203.325
Exchange difference	15.265	9.990
30 June	1.134.187	1.425.149

a) Bank borrowings

	<u>Original currency</u>		<u>Interest rate per annum (%)</u>		<u>TRY equivalent</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
EUR	5.215.000	11.000.000	0,80-0,90	0,85-2,00	40.198.263	73.156.600
TRY	53.454.750	-	8,50-9,75	-	53.454.750	-
					93.653.013	73.156.600

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS (Continued)

b) Payables to third parties due to short portion of long term leasing

Payables from leasing transactions

	Maturity	Interest rate per annum (%)		Original currency		TRY equivalent	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
		TRY	2020	10	-	1.098.170	-
						1.098.170	-

c) Payables to related parties due to short portion of long term leasing transactions

Payables from leasing transactions

	Maturity	Interest rate per annum (%)		Original currency		TRY equivalent	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
		EUR	2020	1-3	1-3	4.673	14.542
				4.673	14.542	36.017	96.712

As of 30 June 2020 and 31 December 2019, the Group does not have any floating rate borrowings.

As of 30 June 2020 and 31 December 2019, net financial debt reconciliation is as follows:

	30 June 2020	31 December 2019
Cash and cash equivalents (Note 3)	6.716.085	17.230.550
Short-term borrowings	(94.787.200)	(73.253.312)
	(88.071.115)	(56.022.762)

	Cash and Cash equivalents	Borrowings up to 1 year	Borrowings more than 1 year	Total
As of 1 January 2020				
net financial debt	17.230.550	(73.253.312)	-	(56.022.762)
TFRS 16 transition effect	-	(1.134.187)	-	(1.134.187)
Foreign currency adjustments	372.010	(9.553.302)	-	(9.181.292)
Cash flow effect	(10.886.475)	(10.257.043)	-	(21.143.518)
Interest accruals, net	-	(589.356)	-	(589.356)
As of 30 June 2020				
net financial debt	6.716.085	(94.787.200)	-	(88.071.115)

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

NOTE 5 - SHORT TERM FINANCIAL BORROWINGS (Continued)

	Cash and Cash equivalents	Borrowings up to 1 year	Borrowings more than 1 year	Total
As of 1 January 2019				
net financial debt	2.948.073	(67.843.481)	-	(64.895.408)
TFRS 16 transition effect	-	(1.394.282)	(30.867)	(1.425.149)
Foreign currency adjustments	(170.182)	(7.165.489)	-	(7.335.671)
Cash flow effect	(1.212.317)	5.244.015	-	4.031.698
As of 30 June 2019				
net financial debt	1.565.574	(71.159.237)	(30.867)	(69.624.530)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

30 June 2020 31 December 2019

Short-term trade receivables from related parties:

Trade receivables (Note 27)	45.676	324.199
	45.676	324.199

Short-term trade receivables from non- related parties:

	30 June 2020	31 December 2019
Trade receivables	47.121.084	59.023.349
Notes and cheques receivable	10.743.306	15.968.503
	57.864.390	74.991.852
Unearned financial income due to sales with maturity (-)	(413.094)	(647.096)
Provision for doubtful receivables (-)	(1.651.885)	(1.521.088)
Trade receivables, net	55.799.411	72.823.668

As of 30 June 2020, the average maturity of not overdue trade receivables of the Group is 52 days as of the statement of financial position date (31 December 2019: 52 days). The Group’s maturity of the trade receivables of TRY, EUR and USD varies and the effective interest rates applied for trade receivables are respectively TRY: 10.38%, EUR: 1.30% and USD: 2.65% (31 December 2019: TRY: 13.83% EUR: 1.68% and USD: 3.69%). 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2020	2019
1 January	(1.521.088)	(714.009)
Increase in the period	(130.797)	(807.079)
Collections and other provisions no longer required	-	-
Reversals	-	-
30 June	(1.651.885)	(1.521.088)

Short-term trade payables to non-related parties:	30 June 2020	31 December 2019
Trade payables	88.967.269	117.889.762
Deferred financial income from purchase of time deposits (-)	(191.995)	(474.881)
Trade payables, net	88.775.274	117.414.881

As of 30 June 2020, the average maturity of trade payables are 58 days (31 December 2019: 76 days). The maturity of the trade payables of the Group varies and the effective interest rate applied for trade payables is TRY: 10.38%, EUR: 1.30% and USD: 2.65% (31 December 2019: TRY: 13.83% EUR: 1.68% and USD: 3.69%). 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, PAYABLES AND OTHE SHORT-TERM LIABILITIES

a) Other receivables from non-related parties	30 June 2020	31 December 2019
Deposits and guarantees given	428.736	367.461
Due from personnel	164.884	55.118
Receivables from tax office	40.041	4.236.283
	633.661	4.658.862
b) Other short-term liabilities	30 June 2020	31 December 2019
Taxes and funds payable	475.226	-
Union dues and other deductions	239.592	91.094
Calculated VAT	-	89.398
	714.818	180.492
c) Other short term payables	30 June 2020	31 December 2019
Other payables to related parties (Note 27)	1.040.669	895.290
	1.040.669	895.290

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	30 June 2020	31 December 2019
Social security deductions to be paid	1.049.222	992.424
Employee salary accruals	-	-
	1.049.222	992.424

NOTE 9 - INVENTORIES

	30 June 2020	31 December 2019
Finished goods	30.451.621	20.997.930
Raw materials and supplies	19.335.221	19.002.085
Goods in transit	15.700.197	17.268.947
Semi-finished goods	5.063.084	5.023.652
Trade goods	-	498.009
	70.550.123	62.790.623
Provision for impairment of inventory (-)	-	-
	70.550.123	62.790.623

The cost of raw materials and supplies consumed in current period are TRY85.634.881 (30 June 2019: TRY97.720.466) (Note 19).

The movement of the provision for impairment of inventories for the periods ended 30 June 2020 and 2019 are as follows:

	2020	2019
1 January	-	(75.344)
Cancelled provisions during the period	-	75.344
30 June	-	-

NOTE 10 - RIGHT OF USE ASSETS

The movements of the rights of use assets during the periods are shown below:

	1 January 2020	Additions	Disposals	Transfers	30 June 2020
Cost					
Machinery, plant and equipment	1.604.516	1.789.924	-	-	3.394.440
Vehicles	198.782	-	-	-	198.782
Total	1.803.298	1.789.924	-	-	3.593.222
	1 January 2020	Additions	Disposals	Transfers	30 June 2020
Accumulated amortisation					
Machinery, plant and equipment	(1.604.516)	(894.962)	-	-	(2.499.478)
Motor vehicles	(115.001)	(57.500)	-	-	(172.501)
Total	(1.719.517)	(952.462)	-	-	(2.671.979)
Net Book Value	83.781				921.243

ÇELİK HALAT VE TEL SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

NOTE 10 - RIGHT OF USE ASSETS (Continued)

	1 January 2019	Additions	Disposals	Transfers	30 June 2019
Cost					
Machinery, plant and equipment	2.410.775	-	-	-	2.410.775
Vehicles	198.077	-	-	-	198.077
Total	2.608.852	-	-	-	2.608.852
	1 January 2019	Additions	Disposals	Transfers	30 June 2019
Accumulated amortisation					
Machinery, plant and equipment	-	(1.205.388)	-	-	(1.205.388)
Motor vehicles	-	(57.297)	-	-	(57.297)
Total	-	(1.262.685)	-	-	(1.262.685)
Net Book Value	2.608.852				1.346.167

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Transfers	30 June 2020
Cost					
Lands	992.168	-	-	-	992.168
Land and land improvements	4.123.085	26.340	-	-	4.149.425
Buildings	19.415.245	377.160	-	-	19.792.405
Machinery and equipment	128.039.111	482.351	-	2.759.709	131.281.171
Motor vehicles	1.309.196	-	-	-	1.309.196
Furniture and fixtures	14.601.173	76.929	-	-	14.678.102
Construction in progress	2.260.444	3.448.724	-	(2.759.709)	2.949.459
	170.740.422	4.411.504	-	-	175.151.926
Accumulated depreciation					
Land and land improvements	(1.532.981)	(185.200)	-	-	(1.718.181)
Buildings	(13.760.086)	(301.214)	-	-	(14.061.300)
Machinery and equipment	(84.900.162)	(3.274.764)	-	-	(88.174.926)
Motor vehicles	(438.073)	(128.582)	-	-	(566.655)
Furniture and fixtures	(8.890.894)	(667.286)	-	-	(9.558.180)
	(109.522.196)	(4.557.046)	-	-	(114.079.242)
Net book value	61.218.226				61.072.684

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions	Disposals	Transfers	30 June 2019
Cost					
Lands	992.168	-	-	-	992.168
Land and land improvements	3.682.012	-	-	136.777	3.818.789
Buildings	19.178.989	-	-	171.876	19.350.865
Machinery and equipment	119.941.046	586.045	-	2.040.834	122.567.925
Motor vehicles	1.309.196	-	-	-	1.309.196
Furniture and fixtures	13.484.835	230.356	-	296.348	14.011.539
Construction in progress	3.790.235	3.772.408	-	(5.596.977)	1.965.666
	162.378.481	4.588.809	-	(2.951.142)	164.016.148
Accumulated depreciation					
Land and land improvements	(1.185.834)	(168.523)	-	-	(1.354.357)
Buildings	(13.168.495)	(294.075)	-	-	(13.462.570)
Machinery and equipment	(77.848.327)	(3.502.280)	-	-	(81.350.607)
Motor vehicles	(180.910)	(128.582)	-	-	(309.492)
Furniture and fixtures	(7.575.338)	(629.286)	-	-	(8.204.624)
	(99.958.904)	(4.722.746)	-	-	(104.681.650)
Net book value	62.419.577				59.334.498

As of 30 June 2020 and 31 December 2019, there is no pledge or mortgage on property, plant and equipment of Group.

There are no property, plant and equipment of Group due from financial leasing (31 December 2019: None).

NOTE 12 - INTANGIBLE ASSETS

	1 January 2020	Additions	Transfers	30 June 2020
Energy production licence ⁽¹⁾	5.549	-	-	5.549
Information system	8.128.919	336.246	-	8.465.165
Development costs	3.044.495	1.333.225	-	4.377.720
Accumulated amortization (-)	(3.488.247)	(1.329.401)	-	(4.817.648)
Net book value	7.690.716	340.070	-	8.030.786
	1 January 2019	Additions	Transfers	30 June 2019
Energy production licence (1)	5.549	-	-	5.549
Information system	3.421.842	531.448	2.951.142	6.904.432
Accumulated amortization (-)	(1.435.130)	(953.185)	-	(2.388.315)
Net book value	1.992.261	(421.737)	2.951.142	4.521.666

(1) Dated 19 December 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM AS AT 30 JUNE 2020

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NOTE 13 - SHORT-TERM PROVISIONS

a) Short-term provisions related to employee benefits

	30 June 2020	31 December 2019
Provision for unused vacation	640.780	361.556
Provisions for collective labor agreements	-	1.207.578
Bonus provisions	-	161.455
	640.780	1.730.589

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

	2020	2019
1 January	361.556	273.656
Provision for the period	419.826	622.158
Provision no longer required	-	(60.636)
Payments during the period	(140.602)	(432.571)
30 June	640.780	402.607

b) Other short term provisions

	30 June 2020	31 December 2019
Provision for lawsuits ⁽¹⁾	22.000	50.000
Provision for other expenses	-	123.426
	22.000	173.426

(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 30 June 2020 is amounting to TRY22.000 (31 December 2019: TRY50.000). There are no lawsuits that the Company was not provided a provision (31 December 2019: None.).

The US Ministry of Trade, International Trade Administration initiated an “anti-dumping and subvention” investigation of pre-stressed concrete bundle imports from 15 countries, including Turkey. Our company was listed in the top two of companies that exported the most pre-stressed concrete bundle from Turkey to the US, which is why our company was selected as one of the companies addressed in the said investigation. The necessary analyses have started within the scope of this investigation.

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NOTE 13 - SHORT-TERM PROVISIONS (Continued)

Movement of lawsuit provisions is as follows:

	2020	2019
1 January	50.000	74.700
Provision for the period	-	57.200
Payments during the period	-	-
Provision no longer required (Note 22)	(28.000)	-
30 June	22.000	131.900

Contingent assets

	30 June 2020	31 December 2019
Mortgage	10.785.000	10.785.000
Guarantee letters	2.663.000	3.061.368
Cheques	150.000	150.000
Notes	108.422	40.000
	13.706.422	14.036.368

As of 30 June 2019, the Group has credit agreement related to the purchase of raw materials amounting to TRY61.067.678 (31 December 2019: 80.389.722) As of 30 June 2020, the Group has no letters of credit (31 December 2019: None).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 14 - COMMITMENTS

	30 June 2020				31 December 2019			
	TRY equivalent	TRY	EUR	USD	TRY equivalent	TRY	EUR	USD
A. CPM’s given in the name of its own legal personality (1)	29.538.596	22.050.417	2.140	1.092.000	26.646.392	13.240.876	-	2.256.745
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	29.538.596	22.050.417	2.140	1.092.000	26.646.392	13.240.876	-	2.256.745

(1) Comprise of guarantees which the Group has given on behalf of its own legal entity as of 30 June 2020 and 31 December 2019 and there are no pledge and mortgages given.

As at 30 June 2019 and 31 December 2018 all CPMs of the Group were given on behalf of its own legal entity.

The rate of given CPMs to the Group’s total equity is 0%. (31 December 2019: 0%).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 15 - EMPLOYEE BENEFITS

Long-term provisions related to employee benefits:

	30 June 2020	31 December 2019
Employee termination benefits	11.497.401	10.692.353

The Group has no pension plans and benefits.

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 30 June 2020, the maximum amount payable equivalent to one month of salary is TRY7.117,17 (exact) (31 December 2019: TRY6.379,86 (exact)) for each year of service. The retirement pay provision ceiling TRY7.117,17 which is effective from 1 July 2020, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2020: TRY6.730,15).

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 30 June 2020, 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 11,86% ⁽¹⁾ (31 December 2019: 11,86%), inflation rate applied as 7,77% ⁽²⁾ (31 December 2019: 7,77%) and increase in wages applied as 7,77% (31 December 2019: 7,77%) 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 3,80% (31 December 2018: 3,80%).

⁽²⁾ The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2018 has been used in calculating the liability for severance payment.

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

	2020	2019
1 January	10.692.353	8.184.442
Total service cost	556.169	465.274
Interest cost	618.469	638.075
Payments	(369.590)	(573.899)
30 June	11.497.401	8.713.892

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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NOTE 16 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	30 June 2020	31 December 2019
Advances given (*)	1.048.596	1.110.843
Prepaid expenses	1.312.261	936.697
	2.360.857	2.047.540

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

b) Short-term deferred income

	30 June 2020	31 December 2019
Advances received (*)	386.845	907.472
	386.845	907.472

(*) Consist of order advances received from customers.

NOTE 17 - OTHER CURRENT/NON-CURRENT ASSETS

Other current assets:

	30 June 2020	31 December 2019
Deferred VAT	9.256.577	6.020.006
	9.256.577	6.020.006

Other non-current assets:

	30 June 2020	31 December 2019
Blocked account (*)	586.427	560.203
Deferred special consumption tax	42.233	107.474
	628.660	667.677

(*) As of 30 June 2020 the Company has restricted deposits amounting to TRY586.427 (31 December 2019: TRY560.203). Annual effective interest rates applied to the restricted deposits are 9,00% and 7,97%. TRY185.427 (31 December 2019: TRY64,681) 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. TRY392.326 (31 December 2019 TRY372.730) is given to the customs as a Guarantee Letter. Remaining part amounting to TRY250 (31 December 2019: TRY250) consist of restricted demand deposit and amounting to TRY8.424 consist of interest accrual for time deposits (31 December 2019: TRY10.104).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 18 - EQUITY

Paid-in capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company’s registered capital ceiling and issued capital at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Registered authorized capital ceiling	25.000.000	25.000.000
Paid-in 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).

	(%)	30 June 2020	(%)	31 December 2019
Doğan Holding ⁽¹⁾	77,65	12.812.457	77,65	12.812.457
Publicly traded on Borsa İstanbul and other ⁽²⁾	22,35	3.687.543	22,35	3.687.543
Capital	100,00	16.500.000	100,00	16.500.000
Adjustment to share capital		8.642.368		8.642.368
Total		25.142.368		25.142.368

(1) As of 30 June 2020, 77.65% of the shares of the Company owned by Doğan Holding, which corresponds to 15.20% of the publicly available shares of Çelik Halat in the Stock Exchange (31 December 2019: 77,65%).

(2) In accordance with the “CMB” Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 21.82% of the shares are outstanding as of 30 June 2020 based on the Central Registry Agency’s (“CRA”) records. (31 December 2019: 21.82%)

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 30 June 2019, the Company’s restricted reserves amounting to TRY3.906.090 (31 December 2019: TRY3.906.090) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 18 - EQUITY (Continued)

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

The Group’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:

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 Group. The Group recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under equity in the financial position table amounts to TRY5.504.130 (31 December 2019: TRY5.504.130).

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.

According to the records of the Group within the scope of Tax Legislation as of 30 June 2020, the entire amount of extraordinary reserves was reclassified to previous period profit account with the decision of the General Assembly (31 December 2019: TRY14.541.592).

Dividend distribution

The Group 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 reparation 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 18 - 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 Ordinary General Assembly Meeting of the Group held on 25 March 2020.

- As per the Communiqué on Financial Reporting in Capital Markets (Communiqué No. II-14.1), presentation principles prepared in accordance with Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standard (TFRS) published by the Public Oversight, Accounting and Auditing Standards Board (KGK) were independently audited as required by the CMB. As a result of the "Tax Expense of the Period" and "Deferred Tax Expense" in the Company's Consolidated Financial Statements for the 01 January 2019-31 December 2019 accounting period, the "Net Period Profit" was TRY10.447.614. After the "General Legal Reserve" amounting to TRY10.447.614 was allocated from the said amount as per paragraph (1) of Article 519 of the TCC, and "Donations" amounting to TRY3.000 made in 2019 were deducted, "Net Distributable Period Profit Including Donation" amounting to TRY10.444.614 was calculated for the 1 January 2019-31 December 2019 accounting period, as per CMB regulations on dividend distribution,
- In the Legal Statutory Records ("Statutory Records") for the period 1 January 2019 - 31 December 2019, kept as per tax legislation and prepared as per the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance, a "Net Period Profit" of TRY16.147.716,23 (exact) was observed. The "General Legal Reserve" which was calculated as per paragraph (1) of Article 519 of the TCC" was deducted from the "Net Period Profit" and amounting to TRY16.147.716,23 "Net Distributable Period Profit" was observed.
- Informing the shareholders that no profit distribution can be made for the 1 January 2019-31 December 2019 accounting period within the regulations of the CMB regarding profit distribution,
- As per the CMB and POA regulations, after the above-mentioned legal and special reserves were allocated in the consolidated financial statements prepared in line with TAS and TFRS, net loss for the period amounting to TRY10.447.614 (exact) was recognised under "Previous Years' Profit or Loss".
- The "Net Period Loss" amounting to 16.147.716.23 Turkish Lira, which is formed according to the Legal Accounting Records of our Company, is taken into the " Profits or Losses of Previous Years " account, and 14.541.592 in the "Extraordinary Reserves" account is Proposals regarding the offsetting of "Profits or Losses of Previous Years" were accepted unanimously.

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 Group's does not have any gross amount of resources that may be subject to the profit distribution. (31 December 2019: None)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

NOTE 19 - REVENUE AND COST OF SALES

a) Revenue:

	1 January - 30 June 2020			1 April- 30 June 2020		
	Domestic sales	Foreign sales	Total	Domestic sales	Oversea sales	Total
Multi-strand rope	13.258.104	42.383.562	55.641.666	4.324.491	15.493.083	19.817.574
Prestressed concrete	27.808.254	23.163.041	50.971.295	11.550.150	7.441.609	18.991.759
Spring wire	24.443.142	898.080	25.341.222	8.356.020	303.996	8.660.016
Galvanized wire	2.177.163	5.930.686	8.107.849	768.286	1.226.899	1.995.185
Scrap sales	1.556.027	-	1.556.027	625.505	-	625.505
Other	7.241	-	7.241	-	-	-
Gross profit	69.249.931	72.375.369	141.625.300	25.624.452	24.465.587	50.090.039
Sales return and discounts (-)	(5.669.210)	(741.064)	(6.410.274)	(1.780.202)	(741.064)	(2.521.266)
Total	63.580.721	71.634.305	135.215.026	23.844.250	23.724.523	47.568.773

	1 January - 30 June 2019			1 April- 30 June 2019		
	Domestic sales	Foreign sales	Total	Domestic sales	Oversea sales	Total
Multi-strand rope	13.800.892	61.155.194	74.956.086	9.938.926	28.799.567	38.738.493
Prestressed concrete	27.515.352	20.819.152	48.334.504	12.474.354	16.015.886	28.490.240
Spring wire	25.586.317	2.395.238	27.981.555	13.465.020	907.159	14.372.179
Galvanized wire	2.601.363	13.974.595	16.575.958	1.321.225	8.396.243	9.717.468
Scrap sales	1.967.135	-	1.967.135	1.014.220	-	1.014.220
Other	54.997	-	54.997	10.573	-	10.573
Gross profit	71.526.056	98.344.179	169.870.235	38.224.318	54.118.855	92.343.173
Sales return and discounts (-)	(4.527.778)	(1.166.086)	(5.693.864)	(2.795.258)	(30.916)	(2.826.174)
Total	66.998.278	97.178.093	164.176.371	35.429.060	54.087.939	89.516.999

The Group performs its foreign sales to Europe by 52% (2019: 57%), America by 34% (2019: 35%), Asia by 12% (2019: 4%) and to Africa by 2% (2019: 4%)

b) Cost of sales:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Raw materials (Note 9)	85.634.881	26.695.273	97.720.466	44.964.773
Labor cost (Note 21b)	14.924.843	7.252.405	13.843.301	7.537.121
General production cost	11.225.352	4.525.658	24.668.985	19.773.063
Amortization and depreciation expenses (Notes 11,12 and 21a)	4.646.490	2.266.452	6.164.933	4.014.885
Total	116.431.566	40.739.788	142.397.685	76.289.842

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 30 June 2020				1 April - 30 June 2020			
	Marketing expenses	General administrative expenses	Research development expenses	Total	Marketing expenses	General administrative expenses	Research development expenses	Total
Transportation and shipping expenses	7.248.177	-	-	7.248.177	3.132.511	-	-	3.132.511
Personnel expenses (Note21.b)	680.556	2.420.164	602.570	3.703.290	279.885	1.349.320	217.842	1.847.047
Service expenses	878.430	2.817.786	-	3.696.216	480.728	1.234.698	-	1.715.426
Amortization and depreciation expense (Note 10, 11, 12 ve 21)	27.865	1.140.580	190.597	1.359.042	15.694	442.910	103.836	562.440
Advertising and marketing expenses	1.110.894	-	-	1.110.894	513.950	-	-	513.950
Benefits provided to key management personnel (Note27.ii.b,21.b)	-	773.835	-	773.835	-	368.374	-	368.374
Litigation, notary, tax, duties and charge expenses	-	305.515	-	305.515	-	123.450	-	123.450
Travel and transportation expenses	108.411	91.880	-	200.291	10.496	27.044	-	37.540
Other	415.092	390.747	-	805.839	187.473	198.098	-	385.571
Total	10.469.425	7.940.507	793.167	19.203.099	4.620.737	3.743.894	321.678	8.686.309

	1 January - 30 June 2019				1 April - 30 June 2019			
	Marketing expenses	General administrative expenses	Research development expenses	Total	Marketing expenses	General administrative expenses	Research development expenses	Total
Transportation and shipping expenses	7.080.296	-	-	7.080.296	3.493.883	-	-	3.493.883
Personnel expenses (Note21.b)	679.392	2.405.124	1.044.429	4.128.945	364.500	1.054.681	526.964	1.946.145
Service expenses	509.268	2.587.978	55.220	3.152.466	223.990	1.293.545	38.720	1.556.255
Benefits provided to key management personnel (Note27.ii.b,21.b)	-	901.558	-	901.558	-	461.266	-	461.266
Advertising and marketing expenses	988.704	-	-	988.704	465.467	-	-	465.467
Litigation, notary, tax, duties and charge expenses	-	583.302	-	583.302	-	467.417	-	467.417
Amortization and depreciation expense (Note 11, 12 ve 21)	19.568	480.242	26.360	526.170	13.506	331.465	18.194	363.165
Travel and transportation expenses	127.204	107.020	20.810	255.034	36.996	60.960	20.810	118.766
Other	392.603	434.405	226.544	1.053.552	364.500	423.511	97.122	885.133
Total	9.797.035	7.499.629	1.373.363	18.670.027	4.962.842	4.092.845	701.810	9.757.497

NOTE 21 - EXPENSES BY NATURE

a) Amortization and depreciation expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Cost of sales (Note 19)	4.646.490	2.266.452	6.164.933	4.014.885
General administrative expenses (Note 20)	1.140.580	442.910	480.242	331.465
Research and development expenses (Note 20)	190.597	103.836	26.360	18.194
Projects developed	297.055	147.701	-	-
Inventories (Note 11 and 12)	536.322	435.553	247.513	170.832
Marketing expenses (Note 20)	27.865	15.694	19.568	13.506
Total	6.838.909	3.412.146	6.938.616	4.548.882

b) Personnel expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
General production cost (Note 19)	14.924.843	7.252.405	13.843.301	7.537.121
General administrative expenses (Note 20)	3.193.999	1.717.694	3.306.682	1.515.947
Research and development expenses (Note 20)	602.570	217.842	1.044.429	526.964
Marketing expenses (Note 20)	680.556	279.885	679.392	364.500
Total	19.401.968	9.467.826	18.873.804	9.944.532

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April- 30 June 2019
Foreign exchange gains	10.762.733	4.762.722	10.014.912	3.909.738
SGK incentives	754.824	321.874	649.452	415.109
Deferred financial expense due from purchase with maturity ⁽¹⁾	234.002	216.559	125.161	125.161
Interest income	149.953	100.521	92.102	5.152
Insurance income	134.168	9.570	19.459	19.459
Provisions no longer required (Note 6 and 13)	28.000	28.000	60.636	-
Other	231.340	114.407	109.490	109.490
Total	12.295.020	5.553.653	11.071.212	4.584.109

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

Other expenses from operating activities

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April- 30 June 2019
Foreign exchange gains	(12.445.291)	(5.997.447)	(8.370.870)	(3.323.764)
Deferred financial expense due from purchase with maturity ⁽¹⁾	(282.886)	(164.377)	(297.556)	(162.440)
Provision expenses (Note 6 and 13)	(130.798)	(115.598)	(864.279)	(517.279)
Other	(8.114)	(5.671)	(747.599)	(505.459)
Total	(12.867.089)	(6.283.093)	(10.280.304)	(4.508.942)

(1) Deferred financial expense due from purchases with maturity reversals of prior period are included.

NOTE 23 - FINANCIAL EXPENSE

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April- 30 June 2019
Foreign exchange loss	(8.522.910)	(3.663.163)	(6.584.355)	(3.205.403)
Borrowing and factoring interest expense	(2.078.238)	(1.523.339)	(1.301.403)	(579.600)
Leasing interest expenses	(134.606)	(56.289)	(203.325)	(85.547)
Other	(359.503)	(281.908)	(315.801)	(100.864)
Total	(11.095.257)	(5.524.699)	(8.404.884)	(3.971.414)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

	30 June 2020	31 December 2019
Current period tax expense	-	-
Prepaid corporate taxes	-	-
Current period tax (liability)/asset	-	-

The Corporate Tax Law has been amended as of 13 December 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 2019 is 22% (2019: 22%) for Turkey. Corporate tax is payable at a rate of 22% on the total income of the Group 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.

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

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 30 June 2019, 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.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law ("Law No. 5024") published in the Official Gazette on 30 December 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. In accordance with the related law, the cumulative inflation of last 36 months inflation rate (PPI) must exceed 100% and the inflation rate (PPI) of last 12 months must exceed 10% in order to adjust inflation. There has not been any inflation adjustment after 2005 due to the absence of conditions required.

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.

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

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

Deferred tax

The Group 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 Group, 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 30 June 2020 and 2019 are as follows:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Current period tax expense	-	-	-	-
Deferred tax income/(expense)	497.559	152.237	320.081	(558.580)
Total tax income/(expense)	497.559	152.237	320.081	(558.580)

Tax reconciliations for the interim periods ended 30 June 2020 and 2019 are as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Profit/(loss) before tax	(12.086.965)	(4.505.317)
Tax rate 22%	2.659.132	991.170
Tax effect:		
Non-deductible expenses	(20.715)	(10.527)
The effects of current year losses that is not recognized as the deferred tax asset	(2.305.376)	(625.290)
R&D incentives	149.995	
Effect of change in statutory tax rate on deferred tax	6.071	15.085
Other, net	8.452	(50.357)
Tax income/(expense) for the period	497.559	320.081

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

Deferred tax (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 30 June 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Provision for employment termination (Note 15)	(11.497.401)	(10.692.353)	2.299.480	2.138.471
Net loss for the period	(15.644.191)	(15.644.191)	3.441.722	3.441.722
Research and development incentives	(4.168.490)	(3.486.695)	917.068	767.073
Research and development expenses	(1.558.614)	(1.510.761)	342.895	332.368
Sales cut-off and its effect on inventory - net	(2.801.432)	(1.382.264)	616.315	304.099
Provision for unused vacation benefits (Note 13)	(640.780)	(361.556)	140.972	79.542
Provision for continued lawsuits (Note 13)	(22.000)	(50.000)	4.840	11.000
Deferred income and expenses related to the trade receivables and payables, net	(221.099)	(172.215)	48.642	37.887
Other	(1.656.633)	(1.567.962)	364.459	344.952
Deferred tax assets	(38.210.640)	(34.867.997)	8.176.393	7.457.114
Tangible and intangible assets useful lives differences	17.648.961	16.540.363	(3.529.792)	(3.308.072)
Deferred tax liabilities	17.648.961	16.540.363	(3.529.792)	(3.308.072)
Deferred tax assets, net	(20.561.679)	(18.327.634)	4.646.601	4.149.042

The movement details of deferred tax assets is as follows:

	2020	2019
1 January	4.149.042	(6.681)
Current period deferred tax expense	497.559	320.081
30 June	4.646.601	313.400

NOTE 25 - EARNING PER SHARE

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

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

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

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NOTE 25 - EARNING PER SHARE (Continued)

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net profit for the period attributable to equity holders of the Parent Company	(11.589.406)	(7.959.226)	(4.185.236)	(985.167)
Weighted average number of shares	16.500.000	16.500.000	16.500.000	16.500.000
Earnings per share (exact TRY)	(0,70)	(0,48)	(0,25)	(0,06)

NOTE 26 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

a) Trade Receivables:

	30 June 2020	31 December 2019
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. ⁽¹⁾	45.676	324.199
	45.676	324.199

(1) Comprises services given to Ditaş.

b) Other payables:

	30 June 2020	31 December 2019
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) ⁽¹⁾	978.696	874.586
Aytemiz Petrolcülük Ticaret Ltd. Şti. (“Aytemiz Petrolcülük”) ⁽²⁾	47.047	-
Aytemiz Akaryakıt Dağıtım A.Ş. (“Aytemiz Akaryakıt”) ⁽³⁾	14.926	20.704
	1.040.669	895.290

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.

(2) Comprises of fuel purchases from Aytemiz Akaryakıt.

(3) It consists of vehicle identification service received from Aytemiz Akaryakıt.

c) Liabilities from leasing transactions:

	30 June 2020	31 December 2019
Değer Merkezi Hizmetleri ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) ⁽¹⁾	36.017	96.712
	36.017	96.712

(1) Comprises of the vehicle leasing services obtained from Değer Merkezi.

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NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties

a) **Product and service sales to related parties:**

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April 30 June 2019
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (“Ditaş”) ⁽²⁾	-	-	214	-
DOEL Elektrik Enerjisi Toptan Satış A.Ş. (“Doel Elektrik”) ⁽¹⁾	-	-	234.343	85.313
Total	-	-	234.557	85.313

(1) Comprises of consultancy services given to Doel Elektrik.

(2) Comprises of consultancy services given to Ditaş.

b) **Product and service purchases from related parties:**

Operating expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April 30 June 2019
Değer Merkezi ⁽¹⁾	2.189.557	1.146.657	1.942.582	1.039.252
Aytemiz Petrolcülük ⁽²⁾	166.935	89.424	-	-
Ditaş ⁽³⁾	178.523	102.878	10.731	-
Aytemiz Akaryakıt ⁽⁴⁾	56.688	22.392	39.658	20.261
DOEL Elektrik Enerjisi Toptan Satış A.Ş. (“Doel Elektrik”) ⁽⁵⁾	-	-	577.612	326.092
Total	2.591.703	1.361.351	2.570.583	1.385.605

(1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş.

(2) It consists of the fuel purchased from Aytemiz Petrolcülük.

(3) Comprises of office rental services purchased from Ditaş.

(4) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.

(5) Comprises of energy imbalance service purchased from Doel Elektrik.

c) **Benefits provided to key management personnel of Group:**

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April 30 June 2019
Salaries and other short-term provisions (Note 20)	773.835	368.374	901.558	461.266
Total	773.835	368.374	901.558	461.266

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

Financial instruments and financial risk management

The Group'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 Group'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 Group.

a) Market risk

Foreign currency risk

The Group operates internationally. The Group 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 30 June 2020 and 31 December 2019, net foreign currency position of Group is as follows:

	30 June 2020	31 December 2019
Total assets	67.759.601	63.483.597
Total liabilities	(104.694.189)	(162.946.608)
Net foreign currency position	(36.934.588)	(99.463.011)

As of 30 June 2020 and 31 December 2019, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	30 June 2020		
	TRY equivalent	USD	EUR
1. Trade Receivables	64.219.443	3.701.217	5.045.922
2. Monetary Financial Assets (Cash, banks included)	3.540.158	292.006	200.072
3. Current Assets (1+2)	67.759.601	3.993.223	5.245.994
4. Total Assets (3)	67.759.601	3.993.223	5.245.994
5. Trade Payables	(64.459.906)	(407.094)	(8.001.153)
6. Financial Liabilities (Note 5)	(40.234.283)	-	(5.219.673)
7. Short Term Liabilities (5+6)	(104.694.189)	(407.094)	(13.220.826)
8. Total liabilities (7)	(104.694.189)	(407.094)	(13.220.826)
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	(36.934.588)	3.586.129	(7.974.832)
13. Net Foreign Currency Asset/(Liability) Position of Monetary Items	(36.934.588)	3.586.129	(7.974.832)

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

a) Market risk (Continued)

	31 December 2019		
	TRY equivalent	USD	EUR
1. Trade Receivables	53.577.912	3.248.222	5.154.847
2. Monetary Financial Assets (Cash, banks included)	9.905.685	338.584	1.187.025
3. Current Assets (1+2)	63.483.597	3.586.806	6.341.872
4. Total Assets (3)	63.483.597	3.586.806	6.341.872
5. Trade Payables	(89.693.295)	(969.037)	(12.620.970)
6. Financial Liabilities (Note 5)	(73.156.600)	-	(11.000.000)
7. Liabilities from leasing transactions (Note 5)	(96.712)	-	(14.542)
8. Short Term Liabilities (5+6+7)	(162.946.608)	(969.037)	(23.635.512)
9. Total liabilities (9)	(162.946.608)	(969.037)	(23.635.512)
10. Total asset related to the cash flow hedges	-	-	-
11. Total liabilities related to the cash flow hedges	-	-	-
12. Net Asset / Liability Position of Off Statement of Financial Position	-	-	-
13. Net Foreign Currency Asset/(Liability)/ Position	(99.463.011)	2.617.769	(17.293.640)
14. Net Foreign Currency Asset/(Liability) Position Of Monetary Items	(99.463.011)	2.617.769	(17.293.640)

As of 30 June 2020, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY6,8422 = 1USD, TRY7,7082 = 1EUR (31 December 2019: TRY5,9402 = 1USD, TRY6,6506 = 1EUR).

The Group is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Group's EUR and USD foreign currency position as of 30 June 2020 and 31 December 2019 under the assumption of the appreciation and depreciation of TRY against other currencies by 20% with all other variables held constant, is as follows:

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

a) Market risk (Continued)

	30 June 2020	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	4.907.403	(4.907.403)
Hedging amount of USD (-)	-	-
USD net effect	4.907.403	(4.907.403)
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(12.294.320)	12.294.320
Hedging amount of EUR (-)	-	-
EUR Net Effect	(12.294.320)	12.294.320
Total Net Effect	(7.386.917)	7.386.917
	31 December 2019	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	3.110.014	(3.110.014)
Hedging amount of USD (-)	-	-
USD net effect	3.110.014	(3.110.014)
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(23.002.617)	23.002.617
Hedging amount of EUR (-)	-	-
EUR Net Effect	(23.002.617)	23.002.617
Total Net Effect	(19.892.603)	19.892.603

Price risk

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

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

a) Market risk (Continued)

Interest rate risk

The Group has interest-bearing debt with variable and fixed interest rate. The Group 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 30 June 2020 there are no effect of 100 basis point estimated change due to Group not having any loans with variable credit (31 December 2019: None).

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

	30 June 2020			31 December 2019		
Financial instruments with fixed rate						
Financial liabilities (Note 5)	94.787.200			73.253.312		
	<u>30 June 2020</u>			<u>31 December 2019</u>		
	USD	EUR	TRY	USD	EUR	TRY
Liabilities						
Financial liabilities	-	0,80-0,90	8,50-9,75	-	0,85-2,00	-

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.

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

b) Credit risk (Continued)

The table representing the Group’s credit risk of financial instruments as of 30 June 2020 and 31 December 2019 is as follows:

	Trade Receivables		Other Receivables		Bank deposits
	Related parties	Non-related parties	Related parties	Non-related parties	
Exposure to maximum credit risk as at balance sheet date	45.676	55.799.411	-	633.661	6.709.864
- The part of maximum risk under guarantee with collateral etc. ⁽¹⁾	-	31.701.311	-	-	-
Net book value of neither past due nor impaired financial assets	-	41.580.636	-	633.661	6.709.864
- The part under guarantee with collateral etc ⁽¹⁾	-	20.353.182	-	-	-
Net book value of past due but not impaired assets	45.676	14.218.775	-	-	-
- The part under guarantee with collateral etc ⁽¹⁾	-	11.348.129	-	-	-
Impaired asset net book value					
- Past due (gross amount)	-	1.651.885	-	-	-
- Impairment (-) (Note 6)	-	(1.651.885)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.1	-	-	-	-	-

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

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

b) Credit risk (Continued)

	Trade Receivables		Other Receivables		Bank deposits
	Related parties	Non-related parties	Related parties	Non-related parties	
Exposure to maximum credit risk as at balance sheet date	324.199	72.823.668	-	4.658.862	17.230.438
- The part of maximum risk under guarantee with collateral etc. ⁽¹⁾	-	53.229.921	-	-	-
Net book value of neither past due nor impaired financial assets	11.628	56.777.191	-	4.658.862	17.230.438
- The part under guarantee with collateral etc ⁽¹⁾	-	42.755.031	-	-	-
Net book value of past due but not impaired assets	312.571	16.046.477	-	-	-
- The part under guarantee with collateral etc ⁽¹⁾	-	10.474.890	-	-	-
Impaired asset net book value					
- Past due (gross amount)	-	1.521.088	-	-	-
- Impairment (-) (Note 6)	-	(1.521.088)	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-

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

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

b) Credit risk (Continued)

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

	30 June 2020				
	Trade Receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
1-30 days overdue	-	7.563.675	-	-	-
1-3 months overdue	-	5.434.968	-	-	-
3-12 months overdue	45.676	1.220.132	-	-	-
Total	45.676	14.218.775	-	-	-
The part under guarantee with collateral ⁽¹⁾	-	11.348.129	-	-	-

	31 December 2019				
	Trade Receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
1-30 days overdue	-	9.107.129	-	-	-
1-3 months overdue	-	6.381.093	-	-	-
3-12 months overdue	312.571	558.255	-	-	-
Total	312.571	16.046.477	-	-	-
The part under guarantee with collateral ⁽¹⁾	-	10.474.890	-	-	-

(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.

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

c) Liquidity risk (Continued)

As of 30 June 2020 and 31 December 2019, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	30 June 2020					
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	93.653.013	23.124.600	71.633.413	-	-	94.758.013
Payables due to leasing transactions (Note5)	1.134.187	490.353	680.706	-	-	1.171.059
Trade payables due to non-related parties (Note 6)	88.775.274	70.569.167	18.590.097	-	-	89.159.264
Other payables due to related parties (Note 27)	1.040.669	1.040.669	-	-	-	1.040.669
Payables related to employee benefits (Note 8)	1.049.222	-	1.049.222	-	-	1.049.222
Deferred income (Note 16)	386.845	386.845	-	-	-	386.845
Other short term provisions (Note 13)	22.000	22.000	-	-	-	22.000
Non-derivative financial liabilities	186.061.210	95.633.634	91.953.438	-	-	187.587.072

	31 December 2019					
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	Contractual undiscounted cash flow
Short- term borrowings (Note 5)	73.156.600	46.812.576	26.602.400	-	-	73.414.976
Payables due to leasing transactions (Note5)	96.712	34.237	65.575	-	-	99.812
Trade payables due to non-related parties (Note 6)	117.414.881	71.982.045	45.907.717	-	-	117.889.762
Other payables due to related parties (Note 27)	895.290	895.290	-	-	-	895.290
Payables related to employee benefits (Note 8)	992.424	-	992.424	-	-	992.424
Deferred income (Note 16)	907.472	907.472	-	-	-	907.472
Other short term provisions (Note 13)	173.426	173.426	-	-	-	173.426
Non-derivative financial liabilities	193.636.805	120.805.046	73.568.116	-	-	194.373.162

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

d) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net liability/total equity ratio. 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:

	30 June 2020	31 December 2019
Total liability ⁽¹⁾	198.914.209	206.240.239
Less: Cash and cash equivalents (Note 3)	(6.716.085)	(17.230.550)
Net liability	192.198.124	189.009.689
Total equity	21.768.242	33.484.738
Total capital	213.966.366	222.494.427
Net Liability/total capital	0,90	0,85

(1) The amounts are calculated by deducting income tax payable and deferred tax liability amounts from total of short term and long term 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 Group, using available market information and appropriate valuation methodologies for each segment of the Group. 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 Group 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:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

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

e) Fair value of financial instruments (Continued)

Monetary 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 collectibility. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

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.

Monetary liabilities

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 denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

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

- First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.
- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 30 June 2020 were approved by the Board of Directors on 11 August 2020. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2020

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

None (31 December 2019: None).

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