

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 1 JANUARY - 30 JUNE 2018**

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

INDEX TO FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

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

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ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

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

	Notes	Reviewed Current Period 30 June 2018	Audited Prior Period 31 December 2017
ASSETS			
Current assets		166,560,981	110,214,023
Cash and cash equivalents	3	11,922,833	11,225,922
Trade receivables			
- <i>Due from non-related parties</i>	6	81,456,870	58,579,026
Other receivables			
- <i>Due from non-related parties</i>	7	539,861	330,038
Inventories	9	67,181,095	37,747,338
Prepaid expenses	15	2,032,702	841,855
Other current assets	16	3,427,620	1,489,844
Non-current assets		45,695,625	40,144,194
Property, plant and equipment	10	43,821,055	37,213,682
Intangible assets	11	834,716	779,653
Financial investments	4	20,087	20,087
Prepaid expenses	15	-	1,388,244
Deferred income tax	24	605,045	302,757
Other non-current assets	16	414,722	439,771
TOTAL ASSETS		212,256,606	150,358,217

The financial statements as of and for the period ended 30 June 2018 have been approved by the Board of Directors on 3 August 2018.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

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

	Notes	Reviewed Current Period 30 June 2018	Audited Prior Period 31 December 2017
LIABILITIES			
Current liabilities		154,471,541	100,942,488
Short-term borrowings	5	26,859,805	24,603,251
Trade payables			
- <i>Due to non-related parties</i>	6	122,357,650	70,254,862
Payables related to employee benefits	8	2,033,567	1,521,427
Other payables			
- <i>Due to related parties</i>	7, 26	759,654	253,521
Current income tax liability	24	282,434	591,209
Short-term provisions			
- <i>Short-term provisions for employment benefits</i>	12	568,681	1,020,515
- <i>Other short-term provisions</i>	12	76,000	87,750
Deferred income	15	1,426,202	2,549,702
Other short-term liabilities	7	107,548	60,251
Non-current liabilities		7,247,916	6,799,059
Long-term provisions			
- <i>Long-term provisions for employment benefits</i>	14	7,247,916	6,799,059
Equity		50,537,149	42,616,670
Issued capital	17	16,500,000	16,500,000
Adjustments to share capital	17	8,642,368	8,642,368
Other comprehensive income (losses) that will not be reclassified in profit or loss			
- Actuarial gains (losses) on defined <i>benefit plans</i>	17	(3,760,426)	(3,760,426)
Restricted reserves	17	2,175,592	1,227,307
Retained earnings or accumulated losses		13,779,136	9,242,351
Net profit or loss for the period		13,200,479	10,765,070
TOTAL LIABILITIES		212,256,606	150,358,217

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF PROFIT OR LOSS AND FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018

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

	Notes	Reviewed Current Period 1 January - 30 June 2018	Unreviewed Current Period 1 April - 30 June 2018	Reviewed Prior Period 1 January - 30 June 2017	Unreviewed Prior Period 1 April - 30 June 2017
Revenue	18	164,328,360	86,083,780	103,515,408	54,979,952
Cost of Sales (-)	18	(129,763,224)	(67,278,123)	(86,150,832)	(46,648,834)
GROSS PROFIT		34,565,136	18,805,657	17,364,576	8,331,118
General Administrative Expenses (-)	19	(5,815,506)	(2,955,177)	(3,474,412)	(1,979,158)
Marketing Expenses (-)	19	(6,373,709)	(3,498,466)	(4,356,421)	(2,433,896)
Research and Development Expenses (-)	19	(439,233)	(439,233)	-	-
Other Income from Operating Activities	21	18,343,480	11,347,313	13,249,194	3,826,306
Other Expenses from Operating Activities (-)	21	(19,596,880)	(12,957,888)	(14,097,045)	(4,218,513)
OPERATING PROFIT		20,683,288	10,302,206	8,685,892	3,525,857
Income from Investment Activities	22	269,176	269,176	-	-
OPERATING PROFIT (LOSS) BEFORE FINANCE (EXPENSE)/INCOME		20,952,464	10,571,382	8,685,892	3,525,857
Finance Expenses (-)	23	(4,138,004)	(2,184,810)	(2,168,830)	(732,396)
PROFIT/ (LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS		16,814,460	8,386,572	6,517,062	2,793,461
Tax (Expense)/Income From Continued Operations	24	(3,613,981)	(1,757,288)	(1,265,768)	(602,842)
Tax Expense for the Period	24	(3,916,269)	(1,993,439)	(1,372,141)	(630,628)
Deferred Tax Income/ (Expense)	24	302,288	236,151	106,373	27,786
Profit for the Period		13,200,479	6,629,284	5,251,294	2,190,619
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
That will be reclassified as profit or (loss)					
Actuarial gains/ (losses) on					
Defined benefit plans					
	14	-	-	-	-
Taxes related to other comprehensive income					
That will not be reclassified as profit or loss					
	24	-	-	-	-
<i>- Deferred Tax Income/ (Expense)</i>					
OTHER COMPREHENSIVE INCOME/ (LOSS)		-	-	-	-
TOTAL COMPREHENSIVE INCOME		13,200,479	6,629,284	5,251,294	2,190,619
Earnings per share	25	0.80	0.40	0.32	0.13

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE INTERM PERIOD 1 JANUARY - 30 JUNE 2018

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

				Other comprehensive income or loss that will not be reclassified to profit or loss		Retained earnings		
	Notes	Issued capital	Adjustments to share capital	Actuarial gains/ (losses) on defined benefit plans	Restricted reserves	Retained earnings	Net profit for the period	Equity
Balances at 1 January 2017		16,500,000	8,642,368	(3,184,260)	1,136,063	8,430,059	2,058,536	33,582,766
Transfers		-	-	-	91,244	1,967,292	(2,058,536)	-
Dividends paid		-	-	-	-	(1,155,000)	-	(1,155,000)
Total comprehensive income		-	-	-	-	-	5,251,294	5,251,294
Balances at 30 June 2017	17	16,500,000	8,642,368	(3,184,260)	1,227,307	9,242,351	5,251,294	37,679,060
Balances at 1 January 2018		16,500,000	8,642,368	(3,760,426)	1,227,307	9,242,351	10,765,070	42,616,670
Transfers		-	-	-	948,285	9,816,785	(10,765,070)	-
Dividends paid (*)		-	-	-	-	(5,280,000)	-	(5,280,000)
Total comprehensive income		-	-	-	-	-	13,200,479	13,200,479
Balances at 30 June 2018	17	16,500,000	8,642,368	(3,760,426)	2,175,592	13,779,136	13,200,479	50,537,149

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

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF CASH FLOW FOR THE INTERM PERIOD 1 JANUARY - 30 JUNE 2018

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

Notes	<i>Reviewed Current Period 1 January - 30 June 2018</i>	<i>Reviewed Prior Period 1 January - 30 June 2017</i>
A. NET CASH FROM OPERATING ACTIVITIES	15,259,977	2,834,024
Net Profit/ (Loss) for the period	13,200,479	5,251,294
Adjustments regarding reconciliation of net profit (loss) for the period	10,853,420	5,808,041
Adjustments related to depreciation and amortization	10, 11	2,864,127
Adjustments related to provision (reversal) of impairment		2,313,256
<i>Adjustments related to provision of impairment on inventories</i>	9	(86,840)
Adjustments related to provisions		-
<i>Adjustments related to other provisions (reversals)</i>		(168,637)
<i>Adjustments related to provisions (reversal) for lawsuits and/or penalty</i>	12	(6,844)
<i>Adjustments related to provisions (reversals) for employee benefits</i>	12, 14	615,324
Adjustments related to interest (income) and expenses		-
<i>Adjustments related to interest income</i>	21	(89,764)
<i>Adjustments related to interest expense</i>	23	141,039
<i>Deferred financial income from purchase of time deposits</i>	21	542,698
<i>Deferred financial income from sales of time deposits</i>	21	(403,926)
Adjustments to gain on sales of property and equipment	22	(269,176)
Adjustments related to changes in unrealised foreign exchange differences	5	3,413,735
Adjustments related to tax income	24	3,613,981
		1,764,169
		1,265,768
Changes in working capital	(3,426,605)	(6,077,019)
Adjustments for decrease (increase) in inventories	(29,141,450)	(11,122,874)
Adjustments for decrease (increase) in trade receivables	(23,420,542)	(3,103,737)
Adjustments regarding decrease (increase) in other receivables on operations	(3,313,397)	(1,442,220)
Adjustments for decrease (increase) in trade payables	52,506,714	8,476,697
Adjustments regarding decrease (increase) in other payables on operations	(57,930)	1,115,115
Net Cash from Operating Activities	20,627,294	4,982,316
Income tax payments	(4,225,044)	(1,577,449)
Other provisions paid	12	-
Employee termination benefits paid	14	(1,142,273)
		(13,156)
		(557,687)
B. NET CASH FROM INVESTUNG ACTIVITIES	(8,074,610)	(3,563,904)
Cash outflows from purchase of property, plant, equipment and intangible assets	(8,426,313)	(3,563,904)
Cash inflows from sale of property, plant, equipment and intangible assets	351,703	-
C. NET CASH FROM FINANCING ACTIVITIES	(6,477,585)	(5,113,709)
Proceeds from borrowings repayment of borrowing		17,068,656
<i>Cash inflows from borrowings proceeds from bank borrowing</i>	38,633,077	12,389,954
<i>Cash inflows from factoring transactions proceeds from bank borrowing</i>	-	-
Cash outflows on debt payments		(22,876,832)
<i>Cash outflows from borrowings repayment of borrowing</i>	(39,802,391)	(10,470,259)
<i>Cash outflows from factoring transactions repayment of borrowing</i>	-	(366,824)
Interest paid	(128,906)	296,596
Interest received	100,635	-
Dividends paid	(5,280,000)	(1,155,000)
D. NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	707,782	(5,843,589)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	17,808,024
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+E)	3	11,964,435

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi ("the Company" or "Çelik Halat"), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, 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 and Y.Begümhan Doğan Faralyalı).

The number of employees of the Company as of 30 June 2018 is 434 (31 December 2017: 414).

The registered address of the Company is as follows:

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

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency ("CRA"), the 21.81 % (31 December 2017: 20.61%) shares of Çelik Halat are to be considered in circulation as of 30 June 2018. (Note 17).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Financial Statements

Adopted Financial Reporting Standards

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

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

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.1 Basis of Presentation (Continued)

2.1.1 Preparation and Presentation of Financial Statements (Continued)

Adjustment to the financial statements in hyperinflationary periods

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

Functional currency

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

2.1.2 New and revised Turkish Financial Reporting Standards (“TFRS”)

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

A) The new standards, amendments and interpretations which are effective for the financial statements as of 30 June 2018:

- TFRS 9, “Financial instruments”; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- Amendment to TFRS 15, “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. It also included additional practical measures for the transition to the new revenue standard.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.1 Basis of Presentation (Continued)

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

A) The new standards, amendments and interpretations which are effective for the financial statements as of 30 June 2018 (Continued):

- Amendments to TFRS 4, “Insurance contracts” regarding the implementation of TFRS 9, ‘Financial Instruments’; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - Give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued and
 - Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendment to TAS 40, “Investment property” relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Amendments to TFRS 2, “Share based payments” on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - TFRS 1, “First time adoption of TFRS”, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - TAS 28, “Investments in associates and joint venture” regarding measuring an associate or joint venture at fair value.
- TFRS Interpretation 22, “Foreign currency transactions and advance consideration”; effective from annual periods beginning on or after 1 January 2018. This TFRS addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.1 Basis of Presentation (Continued)

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

B) Standards and amendments published but not yet effective as of 30 June 2018:

- Amendment to TFRS 9, “Financial instruments”; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- Amendment to TAS 28, “Investments in associates and joint venture”; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- TFRS 16, “Leases”; effective from periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. For lessors, the accounting stays almost the same. However, updated guidance on the definition of a lease (as well as the updated guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.
- TFRS Interpretation 23, “Uncertainty over income tax treatments”; effective from periods beginning on or after 1 January 2019. This TFRS clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. TFRS 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRS 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.1 Basis of Presentation (Continued)

2.1.3 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

B) Standards and amendments published but not yet effective as of 30 June 2018 (Continued):

- TFRS 17, “Insurance contracts”; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, ‘Business combinations’, - a company remeasures its previously held interest in a joint operation when it obtains control of the business,
 - TFRS 11, ‘Joint arrangements’, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business,
 - TAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way,
 - TAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Comparative information and restatement of previously reported financial statements

The financial statements of the Company are prepared comparatively with the previous period to identify the financial position and performance trends. The Company presents comparatively its statement of financial position as of 30 June 2018 with 31 December 2017. Statement of profit or loss and other comprehensive income, statement of cash flow and statement of changes in equity for the interim period 1 January - 30 June 2018, are presented comparatively with the financial statements as of the period 1 January - 30 June 2017.

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

2.1.4 Offsetting

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

2.2 Significant Accounting Policies and Changes in Accounting Estimates and Errors

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

2.3 Summary of Significant Accounting Policies

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

Related parties

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

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity;
 - (ii) Has significant influence over the reporting entity; or
 - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.3 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 26).

Cash and cash equivalents

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

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AS AT 1 JANUARY - 30 JUNE 2018**

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables

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

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, Company preferred to adopt “simplified approach” in TFRS 9 standard.

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

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

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

When trade receivables are not impaired for certain reasons along with realised impairment losses, Company 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 Company and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 21).

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

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Inventories

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

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

Financial Assets

Company 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 Company’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

Company 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, Company 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 Company and its expectation based on the macroeconomic indications.

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.3 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 10). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

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

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

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

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

Intangible assets and related amortization

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

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Research and development costs

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

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

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

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

Taxes

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year’s tax liabilities.

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

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Impairment of assets

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

Financial borrowings and borrowing costs

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

Employment termination benefits

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

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Company arising from the retirement of the employees measured in accordance with the Turkish Labor Law (Note 14).

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

Provisions, contingent assets and liabilities

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 12).

Share capital and dividends

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

Revenue recognition

The Company adopted TFRS 15 “Revenue from Contracts with Customers” from 1 January 2018 which proposes a five step model framework mentioned below for recognizing the revenue.

- Identify the contact with customers
- Identify separate performance obligations in the contract
- Determine the transaction price in contract
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue (Note 18)

Company evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Company transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time.

The Company recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

The Company considers the following in the assessment of transfer of control of goods sold and services,

- The entity has a right to payment for the goods or service,
- The customer has legal title to the goods or service,
- The entity has transferred physical possession of the asset,
- The customer has the significant risks and rewards related to the ownership of the goods or services,
- The customer has accepted the goods or services.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period. (Note 21).

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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

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

Foreign currency transactions

Foreign currency transactions and balances

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

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

Segment reporting

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

Earnings/(losses) per share

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

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

Subsequent events

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

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

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

2.3 Summary of Significant Accounting Policies (Continued)

Statement of cash flows

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

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

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

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

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

2.4 Critical Accounting Estimates, Assumptions and Decisions

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

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

- 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.

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash	10,340	-
Banks		
- Demand deposits	11,912,493	4,440,432
- Time deposits	-	6,785,490
	11,922,833	11,225,922

The Company has no time deposit as of 30 June 2018. As of 31 December 2017, interest rates of EUR denominated time deposits are between gross 1.70% and 1.85%.

As of 30 June 2018, there is no remaining time to maturity of time deposits (31 December 2017: Shorter than 3 months).

Cash and cash equivalents disclosed in the statements of cash flows as of 30 June 2018, 31 December 2017, 30 June 2017 and 31 December 2016 are as follows:

	30 June 2018	31 December 2017	30 June 2017	31 December 2016
Cash and banks	11,922,833	11,225,922	11,980,304	17,854,212
Accrued interest (-)	-	(10,871)	(15,869)	(46,188)
	11,922,833	11,215,051	11,964,435	17,808,024

NOTE 4 - FINANCIAL INVESTMENTS

	Share (%)	30 June 2018	Share (%)	31 December 2017
Kocaeli Serbest Bölge	less than 1	20,087	less than 1	20,087
		20,087		20,087

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**NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD
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NOTE 5 - SHORT TERM FINANCIAL BORROWINGS

The details of financial borrowings at 30 June 2018 and 31 December 2017 are as follows:

Short-term borrowings

	30 June 2018	31 December 2017
Bank borrowings	26,859,805	24,603,251
	26,859,805	24,603,251

	<u>Original currency</u>		<u>Interest rate per annum (%)</u>		<u>TRY equivalent</u>	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
TRY	579,265	1,500,000	0-7.84	0-7.84	579,265	1,500,000
EUR	4,950,000	5,116,433	0.75-3.00	0.75-1.75	26,280,540	23,103,251
					26,859,805	24,603,251

As of 30 June 2018 and 31 December 2017, the Company has no bank credit with float interest rate.

The reconciliation of the net financial debt as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Cash and cash equivalents (Note 3)	11,922,833	11,215,051
Short-term borrowings	(26,859,805)	(24,603,251)
	(14,936,972)	(13,388,200)

	Short-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2018			
net financial debt	(24,603,251)	11,215,051	(13,388,200)
Cash flow effect	1,169,314	1,063,356	2,232,670
Foreign currency adjustments	(3,413,735)	(355,574)	(3,769,309)
Interest accrual, net	(12,133)	-	(12,133)
As of 30 June 2018			
net financial debt	(26,859,805)	11,922,833	(14,936,972)

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non-related parties:

	30 June 2018	31 December 2017
Trade receivables	67,154,194	50,343,493
Notes and cheques receivable	15,922,475	9,312,634
	83,076,669	59,656,127
Unearned financial income due to sales with maturity (-)	(905,790)	(363,092)
Provision for doubtful receivables (-)	(714,009)	(714,009)
Trade receivables, net	81,456,870	58,579,026

As of 30 June 2018, the average maturity of not overdue trade receivables of the Company is 78 days as of the statement of financial position date (31 December 2017: 86 days). The Company's maturity of the trade receivables of TRY, EUR and USD varies and the effective interest rates applied for trade receivables are respectively TRY: 17.01%, EUR: 2.51% and USD: 4.03% (31 December 2017: TRY: 15.38%, EUR: 2.41% and USD: 3.75%). The rate used in this method and determined based on compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

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

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

Trade payables to non-related parties:

	30 June 2018	31 December 2017
Trade payables	123,228,465	70,721,751
Deferred financial income from purchase of time deposits (-)	(870,815)	(466,889)
Trade payables, net	122,357,650	70,254,862

As of 30 June 2018, the average maturity of trade payables are 135 days (31 December 2017: 113 days). The maturity of the trade payables of the Company varies and the effective interest rate applied for trade payables is TRY: 17.01%, EUR: 2.51% and USD: 4.03% (31 December 2017: TRY: 15.38%, EUR: 2.41% and USD: 3.75%). The rate used in this method and determined based on compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

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

a) Other short-term receivables:	30 June 2018	31 December 2017
Deposits and guarantees given	290,504	283,476
Receivables from tax office	155,596	-
Due from personnel	37,625	34,064
Other	56,136	12,498
	539,861	330,038

b) Other short-term liabilities:	30 June 2018	31 December 2017
Union fees and other deductions	107,548	60,251
	107,548	60,251

c) Other short-term payables:	30 June 2018	31 December 2017
Other payables to non-related parties (Note 26)	759,654	253,521
	759,654	253,521

NOTE 8 - PAYABLES RELATED TO EMPLOYEE BENEFITS

	30 June 2018	31 December 2017
Social security deductions to be paid	1,260,398	995,671
Employee salary accruals	773,169	525,756
	2,033,567	1,521,427

NOTE 9 - INVENTORIES

	30 June 2018	31 December 2017
Raw materials and supplies	30,289,408	17,180,271
Semi-finished goods	2,903,601	800,988
Finished goods	11,720,546	7,763,256
Goods in transit	22,267,540	12,089,663
	67,181,095	37,834,178
Provision for impairment of inventory (-)	-	(86,840)
	67,181,095	37,747,338

The cost of raw materials and supplies consumed in current period are TRY104,839,989 (30 June 2017: TRY67,896,333) (Note 18).

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

NOTE 9 - INVENTORIES (Continued)

The movement of the provision for impairment of inventories for the periods ended 30 June 2018 and 2017 are as follows:

	2018	2017
1 January	(86,840)	-
Cancelled provisions during the period	86,840	-
30 June	-	-

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Disposals	Transfers	30 June 2018
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	2,429,260	-	-	116,874	2,546,134
Buildings	17,159,393	-	(47,197)	204,586	17,316,782
Machinery and equipment	101,472,402	370,682	(4,540,963)	1,902,937	99,205,058
Motor vehicles	126,261	-	-	-	126,261
Furniture and fixtures	10,034,899	475,659	(111,595)	157,046	10,556,009
Construction in progress	3,053,073	8,834,247	-	(2,452,531)	9,434,789
	135,267,456	9,680,588	(4,699,755)	(71,088)	140,177,201
Accumulated depreciation					
Land and land improvements	(954,102)	(106,132)	-	-	(1,060,234)
Buildings	(12,775,021)	(197,184)	22,987	-	(12,949,218)
Machinery and equipment	(77,413,061)	(2,317,901)	4,516,088	-	(75,214,874)
Motor vehicles	(126,261)	-	-	-	(126,261)
Furniture and fixtures	(6,785,329)	(298,383)	78,153	-	(7,005,559)
	(98,053,774)	(2,919,600)	4,617,228	-	(96,356,146)
Net book value	37,213,682				43,821,055

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals	Transfers	30 June 2017
Cost					
Lands	992,168	-	-	-	992,168
Land and land improvements	1,626,629	-	-	-	1,626,629
Buildings	16,554,406	-	-	24,270	16,578,676
Machinery and equipment	93,560,205	355,958	-	780,610	94,696,773
Motor vehicles	126,261	-	-	-	126,261
Furniture and fixtures	8,288,499	235,684	-	39,988	8,564,171
Construction in progress	471,230	2,960,506	-	(1,363,696)	2,068,040
	121,619,398	3,552,148	-	(518,828)	124,652,718
Accumulated depreciation					
Land and land improvements	(839,554)	(51,514)	-	-	(891,068)
Buildings	(12,433,843)	(168,473)	-	-	(12,602,316)
Machinery and equipment	(73,024,374)	(2,107,599)	-	-	(75,131,973)
Motor vehicles	(126,261)	-	-	-	(126,261)
Furniture and fixtures	(6,350,577)	(178,989)	-	-	(6,529,566)
	(92,774,609)	(2,506,575)	-	-	(95,281,184)
Net book value	28,844,789				29,371,534

As of 30 June 2018, amortization expense amounting to TRY2,314,200 (30 June 2017: TRY2,029,762) accounted to cost of sales (Note 18), TRY408,691 (30 June 2017: TRY280,385) accounted to operating income (Note 19) and TRY196,709 (30 June 2017: TRY196,428) accounted to inventory (Note 20).

As of 30 June 2018 and 31 December 2017, there is no pledge or mortgage on property, plant and equipment of Company.

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

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NOTES TO THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

NOTE 11 - INTANGIBLE ASSET

	1 January 2018	Additions	Transfers	30 June 2018
Energy production expense (1)	5,549	-	-	5,549
Information system	1,835,937	133,969	71,088	2,040,994
Accumulated amortization (-)	(1,061,833)	(149,994)	-	(1,211,827)
Net book value	779,653	(16,025)	71,088	834,716

	1 January 2017	Additions	Transfers	30 June 2017
Energy production expense (1)	5,549	-	-	5,549
Information system	979,603	11,756	518,828	1,510,187
Accumulated amortization (-)	(949,834)	(3,374)	-	(953,208)
Net book value	35,318	8,382	518,828	562,528

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

As of 30 June 2018, amortization amounting to TRY121,509 (30 June 2017: TRY2,732) is accounted to cost of sales (Note 18), TRY19,727 (30 June 2017: TRY377) accounted to other operating expense (Note 19) and TRY8,758 (30 June 2017: TRY265) accounted to inventories (Note 20).

NOTE 12 - OTHER SHORT TERM PROVISIONS

a) Short-term provisions related to employee benefits

	30 June 2018	31 December 2017
Provision for bonus	467,370	-
Provision for unused vacation	101,311	109,381
Provision for collective agreement (1)	-	911,134
	568,681	1,020,515

- (1) The provision for collective agreement that covers the period between September-December 2017 was paid in February in 2018.

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

	2018	2017
1 January	109,381	111,331
Provision for the period	173,253	141,268
Provision no longer required	(181,323)	(95,887)
30 June	101,311	156,712

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

NOTE 12 - OTHER SHORT TERM PROVISIONS (Continued)

b) Other short-term provisions

	30 June 2018	31 December 2017
Provision for lawsuits (1)	76,000	87,750
	76,000	87,750

(1) There are various on-going lawsuits where the Company is defendant. All of these lawsuits are related to labor cases. The Company management evaluates the possible causes and financial impacts of these lawsuits at the end of each period and recognizes the necessary provisions as a result of this assessment. The amount of provision recognized as at 30 June 2018 is amounting to TRY76,000 (31 December 2017: TRY87,750). There are no lawsuits that the Company was not provided a provision (31 December 2017: None).

Movement of lawsuit provisions for the periods ended are as follows:

	2018	2017
1 January	87,750	213,700
Payments during the period	-	(13,156)
Provision no longer required (Note 21)	(11,750)	(6,844)
30 June	76,000	193,700

Contingent assets

	30 June 2018	31 December 2017
Guarantee letters	8,657,519	7,351,324
Mortgage	6,610,000	4,370,000
Notes	312,676	266,531
Cheques	150,000	150,000
	15,730,195	12,137,855

As of 30 June 2018, the Company has credit agreement related to the purchase of raw materials amounting to TRY89,003,575 (31 December 2017: TRY57,642,451). As of 30 June 2018, the Company has no letters of credit (31 December 2017: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 13 - COMMITMENTS

	30 June 2018				31 December 2017			
	TRY equivalent	TRY	EUR	USD	TRY equivalent	TRY	EUR	USD
A. CPM’s given in the name of its own legal personality ⁽¹⁾	3,590,650	785,819	-	615,000	9,620,294	7,621,187	-	530,000
B. CPM’s given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-	-	-
C. Total amount of other CPM’s given								
i) Total amount of other CPM’s given behalf of majority shareholders	-	-	-	-	-	-	-	-
ii) Total amount of CPM’s given on behalf of other group companies	-	-	-	-	-	-	-	-
iii) Total amount of CPM’s given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-	-	-
Total	3,590,650	785,819	-	615,000	9,620,294	7,621,187	-	530,000

(1) Comprise of guarantees which the Company has given on behalf of its own legal entity as of 30 June 2018 and 2017 and there are no pledge and mortgages given.

As at 30 June 2018 and 31 December 2017 all CPMs of the Company were given on behalf of its own legal entity.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 14 - EMPLOYEE BENEFITS

Long-term provisions related to employee benefits:

	30 June 2018	31 December 2017
Employee termination benefits	7,247,916	6,799,059

The Company has no pension plans and benefits.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies and achieves the retirement age. As of 30 June 2018, the maximum amount payable equivalent to one month of salary is TRY5,001.75 (31 December 2017: TRY4,732.48) for each year of service. The retirement pay provision ceiling TRY 5,434.42 which is effective from 1 July 2018, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2018: TRY5,001.75).

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 2018, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

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

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

- ⁽¹⁾ Discount rate used for calculating the severance payment liability is determined as the 10 years of Government Bond compound interest of 11.50%.
- ⁽²⁾ The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2017 has been used in calculating the liability for severance payment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 14 - BENEFITS PROVIDED TO EMPLOYEES (Continued)

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

	2018	2017
1 January	6,799,059	5,994,192
Total service cost	323,094	264,930
Interest cost	356,902	305,013
Payments	(231,139)	(557,687)
30 June	7,247,916	6,006,448

NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	30 June 2018	31 December 2017
Advances given (*)	1,444,435	596,943
Prepaid expenses	588,267	244,912
	2,032,702	841,855

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

b) Long-term prepaid expenses

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

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

c) Short-term deferred income

	30 June 2018	31 December 2017
Advances received (*)	1,426,202	2,549,702
	1,426,202	2,549,702

(*) Consist of order advances received from customers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 16 - OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets:

	30 June 2018	31 December 2017
Deferred VAT	3,427,620	1,489,844
	3,427,620	1,489,844

Other non-current assets:

	30 June 2018	31 December 2017
Blocked account (*)	362,572	358,513
Deferred special consumption tax	52,150	81,258
	414,722	439,771

(*) As of 30 June 2018 the Company has restricted deposits amounting to TRY362,572 (31 December 2017: TRY358,513). Annual effective interest rates applied to the restricted deposits are 4.75% and 14.63%. TRY53,341 (31 December 2017: TRY58,731) of the restricted deposits is held by Takasbank regarding to the purchase of electricity at the daily market price as a result of the modification performed to the regulation of Energy Market Regularity Authority. TRY305,798 (31 December 2017: TRY299,529) is given to the customs as a Guarantee Letter. Remaining part amounting to TRY253 consist of restricted demand deposit and TRY3,180 is interest accrual on restricted time deposits (31 December 2017: TRY253).

NOTE 17 - EQUITIES

Issued capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company’s registered capital ceiling and issued capital at 30 June 2018 and 31 December 2017 are as follows:

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

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

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NOTE 17 - EQUITIES (Continued)

	(%)	30 June 2018	(%)	31 December 2017
Doğan Holding ⁽¹⁾	77.65	12,812,457	78.85	13,010,657
Publicly traded on Borsa İstanbul and other ⁽²⁾	22.35	3,687,543	21.15	3,489,343
Issued capital	100	16,500,000	100.00	16,500,000
Adjustment to issued capital		8,642,368		8,642,368
Total		25,142,368		25,142,368

(1) As of 30 June 2018, 77.65% of the shares of the Company owned by Doğan Holding, which corresponds to 15.20% of the publicly available shares of Çelik Halat in the Stock Exchange. (31 December 2017: 16.42%).

(2) In accordance with the “CMB” Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 21.81% of the shares are outstanding as of 30 June 2018 based on the Central Registry Agency’s (“CRA”) records. (31 December 2017: 20.61%).

There are no privileged shares of the Company.

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

Restricted reserves

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

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

As of 30 June 2018, the Company’s restricted reserves amounting to TRY2,175,592 (31 December 2017: TRY1,227,307) comprise of general statutory legal reserves with respect to the Company records in accordance with Tax Legislation.

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

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

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NOTE 17 - EQUITIES (Continued)

Accumulated Other Comprehensive Income and Expenses that will not be reclassified in Profit or Loss (Continued)

i. Actuarial gains/(losses) on defined benefit plans

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

Capital Reserves and Retained Earnings

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

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

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

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

In the financial records for the period 30 June 2018 under the tax legislation “Extraordinary Reserves” are TRY6,811,716 (31 December 2017: TRY3,587,728).

Dividend distribution

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

On the other hand,

- a) Retained earnings derived from the 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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NOTE 17 - EQUITY (Continued)

Dividend distribution (Continued)

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

Under the legislation of “Communique on Financial Reporting in Capital Markets” (II-14.1) of CMB, according to the audited financial statements for the period 1 January - 31 December 2017 that are prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight, Accounting and Auditing Standards Board for which the presentation principles have been determined as per the relevant resolutions of the CMB; when “Deferred Tax Income” and “Tax Expense for the Period” are taken into consideration together, “Net Profit for the Period” amounting to Turkish Lira 10,765,070.00 has been observed, and after reserve “Restricted Reserves” amounting to Turkish Lira 469,785.00 which has been calculated based on the Turkish Commercial Code Item 519 (a) “Net Distributable Profit” observed amounting to Turkish Lira 8,925,924, the dividend distribution, “Communique on Financial Reporting in Capital Markets” (II-14.1) of CMB , according to the audited financial statements for the period 1 January - 31 December 2017 that are prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight, Accounting and Auditing Standards Board for which the presentation principles have been determined as per the relevant resolutions of the CMB and “Donation added Net Distributable Profit” amounting to Turkish Lira TL10,551,335 is referred and in accordance with the rules of Central Securities Depository, “cash” dividend distribution amounting to Turkish Lira 5,280,000 (gross) completed as at 20 April 2018.

The CMB’s requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to distribution. As of the statement of financial position date, the Company’s gross amount of resources that may be subject to the profit distribution amounts to TRY23,619,857 (31 December 2017: TRY15,737,640).

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NOTE 18 - REVENUE AND COST OF SALES

a) Revenue:

	1 January - 30 June 2018			1 April - 30 June 2018		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Prestressed concrete	72,474,052	10,152,450	82,626,502	37,869,158	6,235,877	44,105,035
Multi-strand rope	19,129,631	29,992,506	49,122,137	9,724,863	15,887,476	25,612,339
Spring wire	21,605,806	1,494,597	23,100,403	10,993,342	762,232	11,755,574
Galvanized wire	1,741,288	11,118,496	12,859,784	979,303	5,764,767	6,744,070
Scrap sales	1,644,468	52,213	1,696,681	855,246	-	907,460
Other	150,493	-	150,493	52,214	-	-
Gross profit	116,745,738	52,810,262	169,556,000	60,474,126	28,650,352	89,124,478
Sales return and discounts (-)	(5,174,146)	(53,494)	(5,227,640)	(2,987,204)	(53,494)	(3,040,698)
Total	111,571,592	52,756,768	164,328,360	57,486,922	28,596,858	86,083,780

	1 January - 30 June 2017			1 April - 30 June 2017		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Prestressed concrete	41,302,970	9,531,214	50,834,184	22,918,157	4,787,250	27,705,407
Multi-strand rope	14,107,610	19,005,583	33,113,193	7,604,424	9,550,480	17,154,904
Spring wire	12,148,555	1,720,252	13,868,807	6,176,269	844,984	7,021,253
Galvanized wire	1,301,460	6,856,865	8,158,325	785,974	3,821,780	4,607,754
Scrap sales	1,122,143	-	1,122,143	624,230	-	624,230
Other	83,442	-	83,442	591	-	591
Gross profit	70,066,180	37,113,914	107,180,094	38,109,645	19,004,494	57,114,139
Sales return and discounts (-)	(3,581,895)	(82,791)	(3,664,686)	(2,059,603)	(74,584)	(2,134,187)
Total	66,484,285	37,031,123	103,515,408	36,050,042	18,929,910	54,979,952

The Company performs its foreign sales to Europe by 66% (2017: 61%), America by 30% (2017: 34%), Asia by 2% (2017:2%) and to Africa by 2% (2017:3%).

b) Cost of sales:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Raw materials (Note 9)	104,839,989	56,300,494	67,896,333	36,935,593
Labor cost (Note 20b)	11,907,732	5,671,046	9,123,513	4,879,820
General production cost	10,579,794	4,005,152	7,098,492	3,784,484
Amortization and depreciation (Notes 10,11 and 20)	2,435,709	1,301,431	2,032,494	1,048,937
Total	129,763,224	67,278,123	86,150,832	46,648,834

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 19 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2018				1 April - 30 June 2018			
	Marketing expenses	General administrative expenses	Research and development expenses	Total	Marketing expenses	General administrative expenses	Research and development expenses	Total
Transportation and shipping expenses	4,420,125	-	-	4,420,125	2,351,804	-	-	2,351,804
Personnel expenses (Note 20.b)	704,097	1,839,084	353,666	2,896,847	371,216	887,367	353,666	1,612,249
Service expenses	218,441	1,499,422	41,064	1,758,927	113,140	831,802	41,064	986,006
Benefits provided to key management personnel (Note 26.ii.b,20.b)	-	832,572	-	832,572	-	451,895	-	451,895
Advertising and marketing expenses	693,293	-	-	693,293	439,482	-	-	439,482
Litigation, notary, tax, duties and charge expenses	-	452,524	-	452,524	-	74,470	-	74,470
Amortization and depreciation (Notes 10 and 11,20)	20,705	379,565	28,148	428,418	9,581	202,025	28,148	239,754
Travel and transportation expenses	151,163	92,781	16,355	260,299	110,207	53,911	16,355	180,473
Other	165,885	719,558	-	885,443	103,036	453,707	-	556,743
Total	6,373,709	5,815,506	439,233	12,628,448	3,498,466	2,955,177	439,233	6,892,876

	1 January - 30 June 2017			1 April - 30 June 2017		
	Marketing expenses	General administrative expenses	Total	Marketing expenses	General administrative expenses	Total
Transportation and shipping expenses	3,304,953	-	3,304,953	1,902,138	-	1,902,138
Personnel expenses (Note 20.b)	582,907	1,126,913	1,709,820	334,838	563,064	897,902
Service expenses	130,751	797,229	927,980	1,638	482,997	484,635
Benefits provided to key management personnel (Note 26.ii.b,20.b)	-	666,195	666,195	-	352,083	352,083
Amortization and depreciation (Notes 10 and 11, 20)	25,371	255,391	280,762	6,587	180,439	187,026
Travel and transportation expenses	125,148	62,494	187,642	64,280	20,306	84,586
Advertising and marketing expenses	116,098	-	116,098	116,098	-	116,098
Litigation, notary, tax, duties and charge expenses	2,165	68,609	70,774	206	30,806	31,012
Other	69,028	497,581	566,609	8,111	349,463	357,574
Total	4,356,421	3,474,412	7,830,833	2,433,896	1,979,158	4,413,054

NOTE 20 - EXPENSES BY NATURE

a) Amortization and depreciation expenses:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Cost of sales (Note 18)	2,435,709	1,301,431	2,032,494	1,048,937
General administrative expenses (Note 19)	379,565	202,025	255,391	180,439
Research and development costs (Note 19)	28,148	28,148	-	-
Inventories (Notes 10 and 11)	205,467	12,343	196,693	35,899
Marketing expenses (Note 19)	20,705	9,581	25,371	6,587
Total	3,069,594	1,553,528	2,509,949	1,271,862

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NOTE 20 - EXPENSES BY NATURE (Continued)

b) Personnel expenses:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
General production cost (Note 18)	11,907,732	5,671,046	9,123,513	4,879,820
General administrative expenses (Note 19)	2,671,656	1,339,262	1,793,108	915,147
Research and development costs (Note 19)	353,666	353,666	-	-
Marketing expenses (Note 19)	704,097	371,216	582,907	334,838
Total	15,637,151	7,735,190	11,499,528	6,129,805

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains from operating profit	17,451,524	11,052,263	12,241,343	3,652,287
Deferred financial expense due from purchase with maturity ⁽¹⁾	403,926	45,877	235,588	26,789
Interest income	89,764	39,263	266,277	105,706
Provisions no longer required (Notes 6 and 12)	11,750	9,750	454,125	16,416
Other	386,516	200,160	51,861	25,108
Total	18,343,480	11,347,313	13,249,194	3,826,306

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

Other expenses from operating activities

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange losses				
From operating loss	(18,803,005)	(12,607,258)	(13,885,539)	(3,915,223)
Unearned financial income				
Due from purchase with maturity ⁽¹⁾	(542,698)	(244,582)	(160,046)	(160,046)
Provision expenses (Notes 6 and 12)	-	-	(16,417)	(133,225)
Other	(251,177)	(106,048)	(35,043)	(10,019)
Total	(19,596,880)	(12,957,888)	(14,097,045)	(4,218,513)

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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NOTE 22 - INCOME FROM INVESTMENT ACTIVITIES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Gains of fixed asset sales	269,176	269,176	-	-
Total	269,176	269,176	-	-

NOTE 23 - FINANCIAL EXPENSE

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange losses	(3,884,236)	(2,019,810)	(1,745,609)	(546,211)
Borrowing and factoring interest expense	(141,039)	(86,780)	(366,824)	(147,141)
Other	(112,729)	(78,220)	(56,397)	(39,044)
Total	(4,138,004)	(2,184,810)	(2,168,830)	(732,396)

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

	30 June 2018	31 December 2017
Current period tax expenses	(3,916,269)	(2,350,333)
Prepaid corporate taxes	3,633,835	1,759,124
Current period tax (liability)/asset	(282,434)	(591,209)

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

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

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

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

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 2018, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

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

Deferred tax

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

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

Movements for net deferred taxes for the periods ended at 30 June 2018 and 2017 are as follows:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Current period tax expense	(3,916,269)	(1,993,439)	(1,372,141)	(630,628)
Deferred tax income	302,288	236,151	106,373	27,786
Total tax (expense)	(3,613,981)	(1,757,288)	(1,265,768)	(602,842)

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

The taxes on income reflected to the statement of profit or loss for the periods ended 30 June 2018 and 2017 are summarized below:

	1 January- 30 June 2018	1 January- 30 June 2017
Profit before tax	16,814,460	6,517,062
Tax rate 22% (2017: 20%)	(3,699,181)	(1,303,412)
Tax effect:		
Non-deductible expenses	(9,940)	(3,617)
Effect of change in statutory tax rate on deferred tax	29,805	-
Other, net	65,335	41,261
Tax income/(expense) for the period	(3,613,981)	(1,265,768)

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 2018 and 2017 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Provision for employment termination (Note 14)	(7,247,916)	(6,799,059)	1,449,583	1,359,812
Sales cut-off and its effect on inventory - net	(838,711)	(198,534)	184,516	43,678
Research and development costs	(440,792)	-	96,974	-
Provision for unused vacation (Note 12)	(101,311)	(109,381)	22,288	24,064
Provision for continued lawsuits (Note 12)	(76,000)	(87,750)	16,720	19,305
Deferred income and expenses related to the trade receivables and payables, net	(34,975)	-	7,695	-
Other	-	(86,886)	-	19,115
Deferred tax assets	(8,739,705)	(7,281,610)	1,777,776	1,465,974
Tangible and intangible assets useful lives differences	5,861,973	5,701,906	(1,172,395)	(1,140,381)
Deferred income and expenses related to the Trade receivables and payables, net	-	103,797	-	(22,836)
Other	1,526	-	(336)	-
Deferred tax liabilities	5,863,499	5,805,703	(1,172,731)	(1,163,217)
Deferred tax assets, net	(2,876,206)	(1,475,907)	605,045	302,757

The movement details of deferred tax income for the current period are as follows:

	2018	2017
1 January	302,757	445,445
Current period deferred tax expense	302,288	106,373
30 June	605,045	551,818

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NOTE 25 - EARNING PER SHARE

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.

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Net profit for the period attributable to equity holders	13,200,479	6,629,284	5,251,294	2,190,619
Weighted average number of shares	16,500,000	16,500,000	16,500,000	16,500,000
Earnings per share (exact TRY)	0.80	0.40	0.32	0.13

NOTE 26 - RELATED PARTY DISCLOSURES

i) **Balances of related parties:**

a) **Other payables:**

	30 June 2018	31 December 2017
Değer Merkezi Hizmetleri Ve Yönetim Danışmanlığı A.Ş ("Değer Merkezi") ⁽¹⁾	753,576	-
Aytemiz Akaryakıt Dağıtım A.Ş. ("Aytemiz Akaryakıt") ⁽²⁾	6,078	2,750
Doğan Holding ⁽³⁾	-	206,875
Aytemiz Petrolcülük Ticaret Ltd. Şti. ("Aytemiz Petrolcülük") ⁽⁴⁾	-	32,528
Yenibiriş İnsan Kaynakları Hizmetleri Dan. ve Yay. A.Ş. ("Yenibiriş") ⁽⁵⁾	-	11,368
	759,654	253,521

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

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

(3) Comprises of advisory, consultancy and technical support services purchased from Doğan Holding.

(4) Comprises of fuel oil purchases from Aytemiz Petrolcülük.

(5) Comprises of human resources service purchases from Yenibiriş. The acquisition of Yenibiriş was realized by Demirören Medya Group in 2018.

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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 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (“Ditaş”) ⁽¹⁾	6,327	6,327	-	-
Total	6,327	6,327	-	-

(1) Comprises of materials sales to Ditaş.

b) Product and service purchases from related parties:

General production expenses

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
DOEL Elektrik Enerjisi Toptan Satış A.Ş. (“Doel Elektrik”) ⁽¹⁾	187,095	187,095	-	-
Aytemiz Petrolcülük ⁽²⁾	35,957	-	147,819	72,811
Total	223,052	187,095	147,819	72,811

(1) Comprises of energy purchases from Doel Elektrik.

(2) Comprises of fuel oil purchases from Aytemiz Petrolcülük.

General administrative expenses:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Değer Merkezi ⁽¹⁾	951,524	562,615	-	-
Aytemiz Akaryakıt ⁽²⁾	30,017	16,773	13,535	6,350
Doğan Enerji Yatırımları San. ve Tic. A.Ş. (“Doğan Enerji”) ⁽³⁾	5,540	-	-	-
Doğan Holding ⁽⁴⁾	3,284	-	168,002	164,345
Marlin Oto Kiralama Seyahat Hizmetleri A.Ş. (“Marlin Oto”) ⁽⁵⁾	-	-	103,658	84,127
Milta Turizm (“Milta”) ⁽⁶⁾	-	-	82,298	-
Ditaş ⁽⁷⁾	-	-	72,965	45,358
Diğer	-	-	1,343	1,139
Total	990,365	579,388	441,801	301,319

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi Hizmetleri and Yönetim Danışmanlığı A.Ş.

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

(3) Comprises of rent a car service purchases from Doğan Enerji.

(4) Comprises of advisory, consultancy and technical support services purchased from Doğan Holding.

(5) Services related to the rent a car, flight ticket and accommodation were purchased from Marlin Oto. Marlin Oto merged with Doğan Enerji in 2017.

(6) Services related to the rent a car, flight ticket and accommodation were purchased from Milta. The branches of Milta have been divided into separate entities as of 9 March 2017 and the Company started to work with Marlin Oto regarding to the aforementioned services.

(7) Comprises of consultancy services purchased from Ditaş.

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NOTE 26 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties (Continued):

e) **Benefits provided to key management personnel of Company:**

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

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April- 30 June 2017
Salaries and other short-term provisions (Notes 19)	832,572	451,895	666,195	352,083
Total	832,572	451,895	666,195	352,083

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

Financial instruments and financial risk management

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

a) **Market risk**

Foreign currency risk

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

As of 30 June 2018 and 31 December 2017, net foreign currency position of Company is as follows:

	30 June 2018	31 December 2017
Total assets	71,853,768	60,646,666
Total liabilities	(118,950,046)	(74,021,551)
Net foreign currency position	(47,096,278)	(13,374,885)

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

a) Market risk (Continued)

Foreign currency risk (Continued)

As of 30 June 2018 and 31 December 2017, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	30 June 2018		
	TRY equivalent	USD	EUR
1. Trade Receivables	60,160,822	1,778,196	9,803,926
2. Monetary Financial Assets (Cash, banks included)	11,692,946	131,228	2,089,666
3. Current Assets (1+2)	71,853,768	1,909,424	11,893,592
4. Total Assets (3)	71,853,768	1,909,424	11,893,592
5. Trade Payables	(92,669,508)	(364,682)	(17,141,246)
6. Financial Liabilities (Note 5)	(26,280,540)	-	(4,950,000)
7. Short Term Liabilities (5+6+7)	(118,950,046)	(364,682)	(22,091,246)
8. Total liabilities (8)	(118,950,046)	(364,682)	(22,091,246)
9. Total asset related to the cash flow hedges	-	-	-
10. Total liabilities related to the cash flow hedges	-	-	-
11. Net Asset / Liability Position Of Off Statement of Financial Position	-	-	-
12. Net Foreign Currency (Liability)/Asset Position	(47,096,278)	1,544,742	(10,197,654)
13. Net Foreign Currency (Liability)/Asset Position Of Monetary Items	(47,096,278)	1,544,742	(10,197,654)

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

a) Market risk (Continued)

Foreign currency risk (Continued)

	31 December 2017		
	TRY equivalent	USD	EUR
1. Trade Receivables	50,129,729	1,580,597	9,781,392
2. Monetary Financial Assets (Cash, banks included)	10,516,937	372,628	2,017,810
3. Current Assets (1+2)	60,646,666	1,953,225	11,799,202
4. Total Assets (3)	60,646,666	1,953,225	11,799,202
5. Trade Payables	(50,918,298)	(498,426)	(10,859,990)
6. Financial Liabilities (Note 5)	(23,103,253)	-	(5,116,433)
7. Short Term Liabilities (5+6)	(74,021,551)	(498,426)	(15,976,423)
8. Total Liabilities (7)	(74,021,551)	(498,426)	(15,976,423)
9. Total asset related to the cash flow hedges	-	-	-
10. Total liabilities related to the cash flow hedges	-	-	-
11. Net Asset/(Liability) Position Of Off Statement of Financial Position	-	-	-
12. Net Foreign Currency (Liability)/Asset Position	(13,374,885)	1,454,799	(4,177,221)
13. Net Foreign Currency (Liability)/Asset Position of Monetary Items	(13,374,885)	1,454,799	(4,177,221)

As of 30 June 2018, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY4,5607 = 1 USD and TRY5,3092 = 1 EUR (31 December 2017: TRY3,7719 = 1 USD and TRY4,5155 = 1 EUR).

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 June 2018 and 31 December 2017 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% 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)

Foreign currency risk (continued)

	30 June 2018	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
USD had changed by 10% against the TRY		
USD net income/(expense)	704,510	(704,510)
Hedging amount of USD (-)	-	-
USD net effect	704,510	(704,510)
EUR had changed by 10% against the TRY		
EUR net income/(expense)	(5,414,138)	5,414,138
Hedging amount of EUR (-)	-	-
EUR net effect	(5,414,138)	5,414,138
Total net effect	(4,709,628)	4,709,628
	31 December 2017	
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
USD had changed by 10% against the TRY		
USD net income/(expense)	548,736	(548,736)
Hedging amount of USD (-)	-	-
USD net effect	548,736	(548,736)
EUR had changed by 10% against the TRY		
EUR net income/(expense)	(1,886,224)	1,886,224
Hedging amount of EUR (-)	-	-
EUR net effect	(1,886,224)	1,886,224
Total net effect	(1,337,488)	1,337,488

Price risk

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

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

a) Market risk (continued)

Interest rate risk

The Company has interest-bearing debt with variable and fixed interest rate. The Company is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 30 June 2018 there are no effect of 100 basis point estimated change due to company not having any loans with variable credit. (31 December 2017: None).

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

	30 June 2018	31 December 2017
Financial instruments with fixed rate		
Financial assets		
Banks (Note 3)	-	6,785,490
Financial liabilities (Note 5)	26,859,805	24,603,251

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

b) Credit risk

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

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

b) Credit risk (Continued)

The table representing the Company’s credit risk of financial instruments as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018		
	Trade receivables	Other receivables	Bank deposits
Exposure to maximum credit risk as at balance sheet date	81,456,870	539,861	11,912,493
- The part of maximum risk under guarantee with collateral etc. ⁽¹⁾	55,785,910	-	-
A. Net book value of neither past due nor impaired financial assets	73,622,976	539,861	11,912,493
- The part under guarantee with collateral etc. ⁽¹⁾	48,086,387	-	-
B. Net book value of past due but not impaired assets	7,833,894	-	-
- The part under guarantee with collateral etc. ⁽¹⁾	7,699,523	-	-
C. Impaired asset net book value			
- Past due (gross amount)	714,009	-	-
- Impairment (-) (Note 6)	(714,009)	-	-
- The part under guarantee with collateral etc.	-	-	-
- Not past due (gross amount)	-	-	-
- Impairment (-)	-	-	-
- The part under guarantee with collateral etc.	-	-	-

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD AS AT 1 JANUARY - 30 JUNE 2018

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

b) Credit risk (Continued)

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

(1) The factors, increasing the credit reliability and the guarantees received, receivables insurance are taken into consideration during 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 Company, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	30 June 2018		
	Receivables		Bank deposits
	Trade receivables	Other receivables	
1-30 days overdue	7,213,934	-	-
1-3 months overdue	538,668	-	-
3-12 months overdue	81,292	-	-
Total	7,833,894	-	-
The part under guarantee with collateral ⁽¹⁾	7,699,523	-	-

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

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

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

c) Liquidity risk (Continued)

As of 30 June 2018 and 31 December 2017, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

	30 June 2018					Contractual undiscounted cash flow
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	
Short- term borrowings (Note 5)	26,859,805	18,448,710	8,780,095	-	-	27,228,805
Trade payables due to non-related parties (Note 6)	122,357,650	74,345,981	48,882,484	-	-	123,228,465
Other payables due to related parties (Note 26)	759,654	759,654	-	-	-	759,654
Payables related to employee benefits (Note 8)	2,033,567	2,033,567	-	-	-	2,033,567
Long-term provision for employee benefits (Note 14)	7,247,916	-	-	7,247,916	-	7,247,916
Non-derivative financial liabilities	159,258,592	95,587,912	57,662,579	7,247,916	-	160,498,407
	31 December 2017					Contractual undiscounted cash flow
	Book value	Less than 3 months	3-12 months	1-5 years	On demand	
Short- term borrowings (Note 5)	24,603,251	4,107,020	20,789,922	-	-	24,896,942
Trade payables due to non-related parties (Note 6)	70,254,862	37,610,333	33,111,418	-	-	70,721,751
Other payables due to related parties (Note 26)	253,521	253,521	-	-	-	253,521
Payables related to employee benefits (Note 8)	1,521,427	-	1,521,427	-	-	1,521,427
Long-term provision for employee benefits (Note 14)	6,799,059	-	-	6,799,059	-	6,799,059
Non-derivative financial liabilities	103,432,120	41,970,874	55,422,767	6,799,059	-	104,192,700

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

d) Capital risk management

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

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

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

The net liability/ total equity ratio as of 30 June 2018 and 31 December 2017 is summarized below:

	30 June 2018	31 December 2017
Total liability ⁽¹⁾	161,437,023	107,150,338
Less: Cash and cash equivalents (Note 3)	(11,922,833)	(11,225,922)
Net liability	149,514,190	95,924,416
Total equity	50,537,149	42,616,670
Total capital	200,051,339	138,541,086
Net Liability/Total capital	0.75	0.69

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

e) Fair value of financial instruments

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

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

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

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

e) Fair value of financial instruments (Continued)

Financial assets

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

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

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

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

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.

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NOTE 28 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 30 June 2018 were approved by the Board of Directors on 3 August 2018. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

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

None (31 December 2017: None).

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