**COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.4)**

# COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012

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## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

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

| | Notes | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | **190.750.922** | **273.520.696** |
| Cash and Cash Equivalents | 4 | 40.943.772 | 64.734.837 |
| Trade Receivables | | 52.854.107 | 52.222.774 |
| - Trade receivables from related parties | 25,6 | 23.108.136 | 15.903.703 |
| - Other trade receivables | 6 | 29.745.971 | 36.319.071 |
| Other Receivables | | 21.076.916 | 77.115.383 |
| - Trade receivables from related parties | 25,7 | 20.633.305 | 76.822.348 |
| - Other receivables | 7 | 443.611 | 293.035 |
| Inventories | 8 | 58.668.311 | 64.715.366 |
| Derivative Financial Instruments | 27 | - | 496.345 |
| Other Current Assets | 15 | 17.207.816 | 14.235.991 |
| **Non-Current Assets** | | **482.469.171** | **172.149.892** |
| Other Receivables | | 212.198.246 | 4.978 |
| - Financial receivables from related parties | 25,7 | 212.198.246 | - |
| - Other receivables | 7 | - | 4.978 |
| Investments in Associates | 9 | 3.186.441 | 2.780.789 |
| Property, Plant and Equipment | 10 | 250.901.469 | 165.323.917 |
| Intangible Assets | 11 | 11.227.298 | 1.162.897 |
| Goodwill | 12 | 2.386.564 | 2.424.971 |
| Other Non-current Assets | 15 | 2.569.153 | 452.340 |
| **TOTAL ASSETS** | | **673.220.093** | **445.670.588** |

Financial statements were approved and authorised for issue in the meeting of Board of Directors dated 28 February 2013. In addition, financial statements for the year 2012 are subject to approval of shareholders of the Componenta Dökümcülük Ticaret ve Sanayi A.Ş. in the General Assembly.

## COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

## CONSOLIDATED BALANCE SHEETS
## AT 31 DECEMBER 2012 AND 2011

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

| | Notes | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current Liabilities** | | **125.045.568** | **112.540.797** |
| Financial Liabilities | | | |
| - Bank borrowings | 5 | 33.570.456 | 18.728.058 |
| - Leasing | 5 | 3.117.423 | 1.373.807 |
| Trade Payables | | 59.253.955 | 61.510.960 |
| - Trade payables to related parties | 25,6 | 3.453.758 | 11.068.848 |
| - Other trade payables | 6 | 55.800.197 | 50.442.112 |
| Other Payables | | 15.526.702 | 15.897.033 |
| - Trade payables from related parties | 25,7 | 1.973.455 | 1.837.224 |
| - Other payables | 7 | 13.553.247 | 14.059.809 |
| Taxes on Income | 24 | - | 361.120 |
| Provisions | 13 | 6.038.883 | 5.404.282 |
| Other Current Liabilities | 15 | 7.248.924 | 9.265.537 |
| Derivative Financial Instruments | 27 | 289.225 | - |
| **Non-Current Liabilities** | | **245.214.069** | **99.397.328** |
| Financial Liabilities | | | |
| - Bank borrowings | 5 | 204.597.900 | 70.376.000 |
| - Financial renting borrowings | 5 | 6.819.095 | 4.603.026 |
| Provisions For Benefits to Personnel | 14 | 17.242.049 | 16.836.006 |
| Deferred Tax Liabilities | 24 | 16.555.025 | 7.582.296 |
| **SHAREHOLDERS' EQUITY** | **16** | **302.960.456** | **233.732.463** |
| **Shareholders' Equity of Parent Company** | | | |
| Paid in Capital | 16 | 66.844.800 | 66.844.800 |
| Paid-in Capital Inflation Adjustment Differences | 16 | 45.195.347 | 45.195.347 |
| Share Premium | 16 | 161.041 | 161.041 |
| Restricted Reserves | 16 | 23.240.986 | 23.240.986 |
| Foreign Currency Translation Differences | 16 | 1.700.978 | 896.401 |
| Revaluation Fund | 10,24 | 76.980.484 | - |
| Retained Earnings | 16 | 73.997.421 | 55.341.551 |
| Net Profit for the Period | | 14.839.399 | 42.052.337 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **673.220.093** | **445.670.588** |

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

## CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.1.4)

## COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2012 AND 2011

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

| | Notes | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|---|
| **CONTINUING OPERATIONS:** | | | |
| Sales Income | 17 | 612.933.966 | 654.634.202 |
| Cost of Sales (-) | 17 | (494.617.218) | (500.817.107) |
| **GROSS PROFIT** | | **118.316.748** | **153.817.095** |
| Marketing, Sales and Distribution Expenses (-) | 18 | (53.136.651) | (54.935.108) |
| General Administrative Expenses (-) | 18 | (35.327.303) | (36.330.939) |
| Research and Development Expenses (-) | 18 | (2.205.584) | (1.462.266) |
| Other Operating Income | 20 | 4.331.019 | 2.267.383 |
| Other Operating Expenses (-) | 20 | (1.214.800) | (2.992.380) |
| **OPERATING PROFIT** | | **30.763.429** | **60.363.785** |
| Profit From Investments Valued At Equity Method | 9 | 487.016 | 492.518 |
| Financial Income | 21 | 18.738.580 | 40.105.004 |
| Financial Expenses (-) | 22 | (30.920.786) | (47.728.280) |
| **INCOME BEFORE TAXES** | | **19.068.239** | **53.233.027** |
| Taxation On Income | | (4.228.840) | (11.180.690) |
| - Taxes On Income | 24 | (2.594.867) | (10.955.149) |
| - Deferred Tax Income | 24 | (1.633.973) | (225.541) |
| **NET PROFIT** | | **14.839.399** | **42.052.337** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Foreign Currency Translation Differences | | 804.577 | 1.913.061 |
| Changes In Revaluation Fund For Property, Plant And Equipment (Net) | | 76.980.484 | - |
| **TOTAL COMPREHENSIVE INCOME** | | **92.624.460** | **43.965.398** |
| **Earnings Per Share With A Nominal Value Of Kr 0.1 Each (Kr)** | **28** | **0,0222** | **0,0629** |

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

## COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2012 AND 2011

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

**Consolidated statements of changes in shareholders' equity for the period 1 January - 31 December 2012:**

| | Paid-in capital | Inflation adjustment to share capital | Share premium | Revaluation fund (Note 10) | Restricted reserves | Foreign currency translation differences | Retained earnings | Net profit for the period | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2012** | **66.844.800** | **45.195.347** | **161.041** | **-** | **23.240.986** | **896.401** | **55.341.551** | **42.052.337** | **233.732.463** |
| Dividend paid | - | - | - | - | - | - | (23.396.467) | - | (23.396.467) |
| Transfers | - | - | - | - | - | - | 42.052.337 | (42.052.337) | - |
| Comprehensive income for the period | - | - | - | 76.980.484 | - | 804.577 | - | 14.839.399 | 92.624.460 |
| **31 December 2012** | **66.844.800** | **45.195.347** | **161.041** | **76.980.484** | **23.240.986** | **1.700.978** | **73.997.421** | **14.839.399** | **302.960.456** |

**Consolidated statements of changes in shareholders' equity for the period 1 January - 31 December 2011:**

| | Paid-in capital | Inflation adjustment to share capital | Share premium | Revaluation fund (Note 10) | Restricted reserves | Foreign currency translation differences | Retained earnings | Net profit for the period | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2011** | **66.844.800** | **45.195.347** | **161.041** | **-** | **23.240.986** | **(1.016.660)** | **40.750.576** | **14.590.975** | **189.767.065** |
| Transfers | - | - | - | - | - | - | 14.590.975 | (14.590.975) | - |
| Comprehensive income for the period | - | - | - | - | - | 1.913.061 | - | 42.052.337 | 43.965.398 |
| **31 December 2011** | **66.844.800** | **45.195.347** | **161.041** | **-** | **23.240.986** | **896.401** | **55.341.551** | **42.052.337** | **233.732.463** |

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

## COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2012 AND 2011

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

| | Notes | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Net income before tax | | 19.068.239 | 53.233.027 |
| **Adjustments to reconcile income before tax to net cash provided by operating activities** | | | |
| Depreciation | 10 | 12.247.910 | 13.809.995 |
| Amortization | 11 | 599.805 | 313.503 |
| Provision release income for diminution in value of inventories | 8 | (397.163) | (157.877) |
| Provision for employment termination benefit | 14 | 1.694.490 | 2.851.981 |
| Share in results of associates | 9 | (497.958) | (492.518) |
| Profit on sales of property, plant and equipment-net | 20 | (687.458) | (921.859) |
| Allowances for doubtful receivables- net | | - | 967.116 |
| Interest and due date charge income | 21 | (10.833.730) | (4.406.275) |
| Interest and factoring expenses | 22 | 22.726.026 | 14.542.413 |
| Foreign currency translation differences | | 1.700.978 | 6.612.500 |
| Provision for litigations | 13 | 1.554.418 | 1.779.326 |
| Provision for tax penalty | 13 | 707.074 | 1.236.087 |
| Forward accruals | 27 | 785.570 | - |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **48.668.201** | **89.367.419** |
| Change in trade receivables | 6 | 6.573.100 | (14.212.505) |
| Change in related party balances | 25 | (34.223.285) | (2.583.953) |
| Change in inventories | 8 | 6.451.993 | (18.229.682) |
| Change in other assets and receivables | | (2.167.981) | (3.129.575) |
| Change in trade payables and tax charges | | 5.358.085 | 17.774.719 |
| Income taxes paid | 24 | (6.017.915) | (10.665.629) |
| Change in other liabilities | | (4.167.934) | 11.697.631 |
| Employment termination benefits paid | 14 | (1.271.165) | (1.954.667) |
| **Net cash provided by operating activities** | | **19.203.099** | **68.063.762** |
| **Investing activities:** | | | |
| Interest and due date charge income | 21 | 10.833.730 | 4.406.275 |
| Purchase of property, plant and equipment | 10 | (14.767.087) | (31.724.124) |
| Purchase of intangible assets | 11 | (10.460.939) | (860.325) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 877.238 | 2.609.452 |
| Dividends received | 9 | 90.531 | 90.360 |
| Loans lended to related parties | | (136.469.208) | 4.386.758 |
| **Net cash used in investing activities** | | **(149.895.735)** | **(21.091.604)** |
| **Financial activities:** | | | |
| Proceeds from bank borrowings | | 169.367.897 | 239.778.441 |
| Payments of bank borrowings | | (20.303.518) | (224.000.000) |
| Financial leases | 5 | 3.077.725 | (373.540) |
| Interest and factoring expenses paid | | (21.844.066) | (14.327.564) |
| Dividend payment | | (23.396.467) | - |
| **Net cash provided by financing activities** | | **106.901.571** | **1.077.337** |
| **Net increase/ (decrease) in cash and cash equivalents** | | **(23.791.065)** | **48.049.495** |
| **Cash and cash equivalents at the beginning of the year** | **4** | **64.734.837** | **16.685.342** |
| **Cash and cash equivalents at the end of the year** | **4** | **40.943.772** | **64.734.837** |

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

## NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Componenta Dökümcülük Ticaret ve Sanayi A.Ş. (the "Company") was established in 1973 in Orhangazi, Bursa and operated as a subsidiary of Koç Holding A.Ş until 12 December 2006. Koç Holding has transferred its shares to Componenta Oyj located in Finland, at 12 December 2006. Accordingly the Company is a subsidiary of Componenta Oyj since then. The main operation of the Company is production and trade of gray cast iron, spheroidal cast iron and aluminium castings for the automotive industry. The Company's production and trading operations are conducted in its premises based in Bursa - Orhangazi and in its aluminium casting factory in Manisa Industrial Area, which was acquired in 1999. The Company is registered with the Capital Markets Board of Turkey and its shares are currently quoted in the Istanbul Stock Exchange. The main shareholder of the Company is Componenta Oyj (Note 25).

The commercial name of the Company which was Componenta Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. has been changed to Componenta Dökümcülük Ticaret ve Sanayi A.Ş. on 28 April 2008.

The average number of employees during the year ended 1 January-31 December 2012 was 2.114.
(1 January - 31 December 2011: 2.070).

The registered office addresses of Orhangazi and Manisa plants are as follows:

Gölyolu no: 26 P.K. (18) Orhangazi 16801 Bursa.

Organize Sanayi Bölgesi Sakarya Cad. No: 14, 45030 Manisa.

Componenta UK is the wholly owned subsidiary of the Company. Componenta UK operates in England and conducts the trade and marketing activities of gray cast iron, wheel and high pressure.

The Company and its subsidiary (together will be referred to as the "Group ") considers gray cast iron, wheel and high pressure as three separate business segments and performs segment reporting for management reporting purposes (Note 5). There is no geographical segmentation as the production activities, being the principal area of activity for the Group, are conducted in Turkey.

The associate of the Group is Kumsan Döküm Malzemeleri San. ve Ticaret A.Ş. ("Kumsan") as of 31 December 2012 (Note 9).

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

### 2.1.1 Accounting standards

The consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles published by the CMB, namely "CMB Financial Reporting Standards".

CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI–25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, 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 CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 2008/16, 2008/18, 2009/40, 2009/02 and 2009/04 including the compulsory disclosures. Accordingly, necessary reclassifications have been made in the comparative financial statements.

The Group maintains its books of account and prepares its statutory financial statements in accordance with the TCC, tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. The consolidated financial statements are prepared based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values.

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

### 2.1 Basis of Presentation (Continued)

### 2.1.2 Accounting standards

***Change in the functional currency***

Due to Euro denominated transactions gained gradually significance on Company's operations during last quarters, the Company changed its TL functional currency to Euro beginning from 1 March 2012. Presentation currency of the Group remains as Turkish Lira.

In this context, all figures at the balance sheet and comprehensive income statement as at and for the period ended on 29 February 2012 are converted to Euro by using Central Bank of the Republic of Turkey ("CBRT")'s Euro bid rate which corresponds to 2,35 on 29 February 2012. These figures which converted to Euro as at 29 February 2012 were considered as the opening historical cost of non-monetary balance sheet items such as inventories, property, plant and equipment, intangible assets, financial investments and equity. Starting from 1 March 2012, all transactions related with non-monetary balance sheet items have been converted into Euro by using CBRT's Euro bid rate at the date of transaction. Monetary balance sheet items have been converted into Euro by using CBRT's Euro bid rate at balance sheet date. Statements of comprehensive income items have been converted into Euro by using CBRT's Euro bid rate at the date of transaction. Foreign currency translation differences arisen as a result of conversion activities recognized as foreign exchange income under financial income.

All foreign currencies at the notes to financial statements includes all foreign currencies including Turkis Lira except Euro.

***Translation to the presentation currency***

The Group's presentation currency is preserved as TL, consequently not changed. In this context, methods of converting Euro prepared consolidated financial statements into TL are as follows:

***(a)*** Assets and liabilities in consolidated balance sheet as at 31 December 2012 have been converted into TL by using CBRT's Euro bid rate on 31 December 2012, which corresponds to 2,30. Amounts in equity carried at their historical costs.

***(b)*** The items in consolidated statements of comprehensive income for the period ended at 31 December 2012 have been converted into TL by using average of first three months of CBRT's Euro bid rate, which corresponds to 2,33.

***(c)*** All foreign currency translation differences arisen from translation to presentation currency have been recognized as currency translation adjustment under equity.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

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

### 2.1 Basis of Presentation (Continued)

### 2.1.2. Consolidation principles (Continued)

The consolidated financial statements include the accounts of the parent company, Componenta Dökümcülük Ticaret ve Sanayi A.Ş. and its subsidiary on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards stated in Note 2 by applying uniform accounting policies and presentation. The results of operations of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

***Subsidiaries***

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of 31 December 2012 and 2011:

| | 31 December 2012 Ownership interest | 31 December 2011 Ownership interest |
|---|---|---|
| Componenta UK Ltd. | 100% | 100% |

All assets and liabilities of Componenta UK Ltd., which is operating in England, are translated into TL using foreign exchange rate as of balance sheet date whereas income statement accounts are translated into TL using yearly average foreign exchange rate. Exchange differences arising from the translation of opening net assets and current year income statement of Componenta UK Ltd. are included in "translation reserves" under shareholders' equity.

a) Subsidiaries refer to the companies that the Group has the power to control the financial and operating policies for the benefits of the Group, via either (a) owing the majority voting right by having more than 50% of the subsidiary's shares directly and/or indirectly or (b) not having the majority voting right 50%, however by controlling financial or operating policies.

   The balance sheets and statements of income of the subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by the Group and its subsidiary is eliminated against the related equity. Intercompany transactions and balances between the Group and its subsidiary are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Group in its subsidiary are eliminated from shareholders' equity and income for the period, respectively.

b) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

   The shares of the minority shareholders in subsidiary's net assets and operating results are presented as minority shares and minority income/loss, in consolidated balance sheet and income statement, respectively. Capital featured funds paid by minority shareholders is presented in minority interest.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

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

### 2.1 Basis of Presentation (Continued)

### 2.1.2 Consolidation Principles (Continued)

***Investments in associates***

Investments in associates, on which the Group has significant influence but does not have control over, are accounted using the equity method during the period that significant influence exists. Consolidated financial statements involve the income and expenses of associates to the extent of Group's share as associates are accounted for using the equity method.

The table below sets out investments in associates and the ownership interests of the Group:

| | 31 December 2012 Ownership interest | 31 December 2011 Ownership interest |
|---|---|---|
| Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş. ("Kumsan") | 25,10% | 25,10% |

### 2.1.3 Amendments in International Financial Reporting Standards

***(a) New and amended standards effective in 1 January 2012 but not relevant to the Group's financial statements:***

- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

- IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

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

### 2.1 Basis of Presentation (Continued)

### 2.1.3 Amendments in International Financial Reporting Standards (Continued)

Standards, amendments and interpretations to existing standards given above have not a material effect on the consolidated financial statements.

***(b) New IFRS standards, amendments and IFRICs effective after 1 January 2013:***

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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

### 2.1 Basis of Presentation (Continued)

### 2.1.3 Amendments in International Financial Reporting Standards (Continued)

***(b) New IFRS standards, amendments and IFRICs effective after 1 January 2013 (Continued):***

- IFRS 10, 11 and 12 on transition guidance (amendment), is effective for annual periods beginning on or after 1 January 2012. The amendment also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosure related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for the periods before IFRS 12 is applied.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

- IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

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

### 2.1 Basis of Presentation (Continued)

### 2.1.3 Amendments in International Financial Reporting Standards (Continued)

***(b) New IFRS standards, amendments and IFRICs effective after 1 January 2013 (Continued):***

- IFRS 1 (amendment), "'First time adoption', on government loans", is effective for annual periods beginning on or after 1 January 2013. The amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

- IFRS 10, (amendment) "Consolidated Financial Statements", IFRS 12 and IAS 27 for investment entities is effective for annual periods beginning on or after 1 January 2013. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- IFRIC 20, "Stripping costs in the production phase of a surface mine" is effective for annual periods beginning on or of 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

The Group will be considered the changes in international financial standards listed above and adopted to the Group by the effective date. The Group management expects that the standards, amendments and interpretations to existing standards given above will not have a material effect on the financial statements.

### 2.1.4 Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

### 2.2 Changes in Accounting Policies

There is no accounting policy and all accounting policies applied are consistent with the prior periods' policies except for the following:

The Group has adopted "revaluation model" as permitted by IAS 16 "Property, plant and equipment" for its land, land improvements and buildings commencing from 31 December 2012, based on the valuation report performed TSKB Gayrimenkul Değerleme A.Ş. as at 18 December 2012.

The Company changed its functional currency to Euro beginning from 1 March 2012 (Note 2.1.1).

### 2.3 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable determination of the trends in the financial position and performance. The Group has prepared the consolidated balance sheet as of 31 December 2012 comparatively with the balance sheet at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of change in equity for the period between 1 January and 31 December 2012 comparative to the period between 1 January and 31 December 2011.

The Group has adopted "revaluation model" for its land, land improvements and buildings commencing from 31 December 2012 as mentioned note 2.2. However, the Group did not restate its prior period financial statements in accordance with exemption in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

### 2.4 Changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; restating the prior period financial statements. Effects of changes in accounting estimates are recognized prospectively; i.e. the effects of such changes on current and future periods are recognized in the current and future periods.

### 2.5. Summary of significant accounting policies

Significant accounting policies considered during the preparation of consolidated financial statements are summarized below:

***Cash and cash equivalents***

Cash and due from banks comprise cash in hand, bank deposits and highly liquid, readily convertible into cash investments, whose maturity at the time of purchase is less than three months with insignificant risk of change in value (Note 4). The cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature and shown by their fair values in the financial statements.

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

### 2.5 Summary of significant accounting policies (Continued)

***Trade receivables and provision for doubtful receivables***

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. Additionally, the Group impairs the receivables for which there are no guarantees or special agreements and which are overdue for more than one year. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

***Credit finance income/ charges***

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the credit term period of credit sales and purchases**.**

***Inventories***

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. Unit cost of inventory is calculated at monthly moving weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8).

***Property, plant and equipment***

*Until 31 December 2012*

Property, plant and equipment acquired before 1 January 2005 are carried at cost and restated to the equivalent purchasing power at 31 December 2004 less accumulated depreciation. Items which are acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment; if any. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

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

### 2.5 Summary of significant accounting policies (Continued)

***Property, plant and equipment (Continued)***

| | Useful lives (year) |
|---|---|
| Buildings | 30-50 |
| Land improvements | 30 |
| Machinery and equipment | 6-15 |
| Furniture and fixtures | 2-8 |
| Motor vehicles | 3-4 |

Land is not depreciated as it is deemed to have an indefinite life.

Expenses for repair and maintenance of property, plant and equipment are capitalized only if they result in an enlargement or substantial improvement in the economic benefits of the respective assets. All other costs are normally accounted in statement of income as an expense.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds against carrying amounts and are included in operating profit (Note 10, Note 20).

*After 31 December 2012*

The Company has adopted "revaluation model" as permitted by IAS 16 "Property, plant and equipment" for its land, land improvements and buildings commencing from 31 December 2012, based on the valuation report performed by TSKB Gayrimenkul Değerleme A.Ş. as at 18 December 2012. The remaining assets such as machinery and equipments, furniture and fixtures, special costs and motor vehicles are continued to be measured at cost consistent with prior years.

In the revaluation performed;

* All characteristics like; land location, local formation style, substructure and access opportunities, front line to street and avenue, area and location that may affect the value, have been taken into account, detailed market research has been done locally and the economical conditions that have arisen previously have been considered as well.
* Revaluation reports have been prepared according to related Capital Markets Board regulatory provisions.
* Revaluation has been applied in financial statements as of 31 December 2012 firstly.
* Revaluation reports have been prepared by an independent expertise firm which gives service according to Capital Markets Board regulatory provisions.
* Cost approach in valuation, precedent comparison, fair market value methodology and assumptions and up-to-date market conditions have been taken into consideration.
* There is no restriction in distribution of increase in revaluation fund to shareholders.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

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

### 2.5 Summary of significant accounting policies (Continued)

***Property, plant and equipment (Continued)***

*After 31 December 2012 (Continued)*

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings are credited to the revaluation reserve in equity, net of applicable deferred income tax.

Revalued amount is calculated by deducting the total of accumulated depreciation and impairment that have occurred in the periods after net realizable value determined in revaluation date. Revaluations are performed regularly, by ensuring that there are not any significant differences between net realizable value as of balance sheet date and net book value.

Decrease in book value arisen from the aforementioned revaluation process is booked in income statement in case the revaluation exceeds the balance already included in revaluation fund related to previous revaluation of the aforementioned asset.

When a revaluated tangible asset is disposed, revaluation fund related with tangible asset is transferred to retained earnings.

Depreciation is charged so as to write off the cost or valuation of assets, using the straight-line method. Land is not depreciated as it is deemed to have an indefinite life. The depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows:

| | **Useful lives (year)** |
|---|---|
| Buildings | 30-50 |
| Land improvements | 30 |
| Machinery and equipment | 6-15 |
| Furniture and fixtures | 2-8 |
| Motor vehicles | 3-4 |

***Intangible assets***

Intangible assets comprise acquired rights. They are recorded at acquisition cost, in each case intangible assets acquired before the date of 1 January 2005 have been restated to equivalent purchasing power at 31 December 2004, and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount (Note 11).

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

**2.5 Summary of significant accounting policies (Continued)**

***Discountinued Operations and Assets and Liabilities Held For Sale***

Discountinued operations represent a separate major line of business or geographical area of operations which held for sale or disposal group in a committed and coordinated sales plan.

Net assets related to the discontinued operations measured at the lower of its carrying amount and fair value less costs to sell. Profit or loss before tax which has reflected to financial statements during disposal of assets and group of assets forms discountinued operations and profit after tax of discountinued operations presented in the notes to financial statements. The net cash flows attributable to the operating, investing and financing activities of discontinued operations shall be presented either in the notes or in the financial statements.

A non-current asset (or disposal group) shall be classified as as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The liabilities which directly attributable to these assets shall be classified same as assets. Aforementioned disposal group measured at the lower of its carrying amount less direct attributable liabilities and fair value less costs to sell.

***Impairment of Assets***

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

### 2.5 Summary of significant accounting policies (Continued)

***Factoring arrangements***

The Group collects a portion of its trade receivables through factoring arrangements. In accordance with the factoring agreements, in case the collection risk lies with the Group the related amount is carried under both trade receivables and financial liabilities until the collection of the trade receivable. The translation of foreign currency balances is performed using the ask rates announced by the Central Bank of Turkey prevailing at the balance sheet date.

***Goodwill***

Goodwill has been recognised as an asset and has initially been measured as the excess of the cost of the combination over the fair value of the acquiree's assets, liabilities and contingent liabilities. The acquirer recognises identifiable assets (such as deferred income tax on carry forward losses), intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements at their fair values in the consolidated financial statements. If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period.

***Bank borrowings***

Bank borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the borrowing period. Borrowing costs are charged to income statement when they incur.

***Borrowing Costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

***Changes in the fair value of financial assets/liabilities recognized in statement of income***

Since forward foreign exchange purchase contracts do not met the conditions for hedge accounting, such contracts are classified as financial assets/liabilities at fair value through profit or loss and the changes in the fair value of the contracts are recognized in the income statement.

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

### 2.5 Summary of significant accounting policies (Continued)

***Share capital and dividends***

***Share capital, dividends and share premium***

Ordinary shares are classified as equity. Pro rata capital increases to existing shareholders are accounted for at par value as approved. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Share premium represents the difference between nominal value of the publicly held shares and their sales prices.

***Taxes on Income***

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated based on currently enacted tax rates as of balance sheet date and according to tax legislation in force and includes adjustments related to previous years' tax liabilities.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Carrying value of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilise deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

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

### 2.5 Summary of significant accounting policies (Continued)

***Revenue recognition***

*Sales of goods*

Revenues are recognised at the fair value of the consideration received or receivable on an accrual basis when delivery has occurred, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group. Considering the principle of transfer of risks and rewards, the Group recognizes revenue on export transactions, where the goods are delivered to foreign customers or warehouses of logistics partners of foreign customers when the goods are received by the customer or logistics partner of the customer. Net sales represent the invoiced amount less sales returns, discounts and commissions (Note 17).

The interest income earned by the Group is recognised on accrual basis using the effective yield method.

The Group sells scrap aluminium to its suppliers in return for purchase of liquid aluminium. The sales of scrap aluminium are not presented as sales revenue; instead they are offset against the cost of scrap aluminium under the cost of sales.

*Interest Revenue*

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

***Foreign currency transactions and balances***

Transactions in foreign currencies during the period have been translated using the ask rates announced by the Central Bank of Turkey prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising due to translation of foreign currency denominated items are included in the consolidated statement of income.

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

**2.5 Summary of significant accounting policies (Continued)**

***Events after Balance Sheet Date***

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue.

The Group records adjusting events after the balance sheet date and disclose non-adjusting events after the balance sheet date on the accompanying financial statements.

***Fair value of financial instruments***

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

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

*Monetary assets:*

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

The carrying values of trade receivables are estimated to be their fair values.

Fair value of financial assets held to maturity determines with market prices or in case of the price is not calculated with basis on market prices of securities quoted for similar qualified in interest, maturity and other conditions.

Fair value of given advances and loans to customers is calculated by determining cash flows discounted with current market interest rate. Carrying value of variable interest rate loans approximately assumed as fair value.

*Financial Liabilities*

The fair values of short-term bank loans and trade payables are considered to approximate their book values due to their short-term nature. Fair value of long-term financial liabilities is calculated by determining cash flows discounted with current market interest rate.

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

### 2.5 Summary of significant accounting policies (Continued)

***Provisions, Contingent Liabilities and Contingent Assets***

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in consolidated financial statements and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the consolidated financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements of the period in which the change occurs.

***Employee Benefits / Provision for employment termination benefit***

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

***Finance leases***

Leases of property, plant and equipment where the Company substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 10).

Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment. The finance leases costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

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

### 2.5 Summary of significant accounting policies (Continued)

***Research and development***

Research expenditure is recognised as expense as incurred. Costs incurred on development projects (relating to the design and testing of developed products) are recognised as intangible assets when it is probable that the project will be completed satisfactorily considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. If the Group has research and development related incentive revenue, research and development costs are offset against the incentive revenue. Development costs previously recognised as expense are not recognised as an asset in subsequent periods.

***Related parties***

For the purpose of these consolidated financial statements, shareholders, key management personnel and members of the Board, their family members and companies, subsidiaries and partnerships managed or controlled by them are considered and referred to as related parties (Note 25). The related party transactions with companies and individuals during the period are disclosed in the notes even if such parties are not considered to be related parties as of period-end.

***Earnings per Share***

Earnings per share stated on statements of income are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

***Reporting of cash flow***

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

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

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

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used for redemption.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid with less than 3 months to maturity (Note 4).

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

### 2.5 Summary of significant accounting policies (Continued)

***Segment Reporting***

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

### 2.6 Significant accounting estimates and assumptions

Preparation of consolidated financial statements requires use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of balance sheet date, contingent assets and liabilities disclosed and amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Group management's best knowledge about the current events and transactions, actual outcome may vary from those estimates and assumptions. Group's significant accounting estimate is as follows:

***(a) Useful lifes of tangible and intangible assets***

Property, plant and equipment (except land and property, plant and equipment) are carried at cost less accumulated depreciation and impairment (if any). Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made.

The Group has accounted depreciation expense for plant, property and equipment for the period between 1 January – 31 December 2012 in consolidated financial statements by taking into consideration the capacity utilization rates. Capacity utilization rates for the period between 1 January - 31 December 2012 for gray cast iron, aluminium casting and wheel plants are respectively 64%, 40% and 71% (1 January - 31 December 2011: 67%, 54% and 89%). As a result, depreciation expense of machinery and equipment for the period between 1 January - 31 December 2012 was realized as TL 10.152.226 (1 January – 31 December 2011: TL 11.591.034).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

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

### 2.6 Significant accounting estimates and assumptions (Continued)

***(b) Income taxes***

There are many transactions and calculations whose effects' are not definite to the ultimate tax liability during the ordinary course of business and such situations requires significant judgement in determining the provision for income taxes. The Group recognizes possible additional tax liabilities as a result of taxable situations (Note 24). Where the final tax liability that has to be recognized is different from the liability that was initially recognized, such differences will impact the income tax and deferred tax income/loss in the current period.

***(c) Employment termination benefit discount rate***

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Discount rate depends on best estimates of management, reviewed in each financial period and necessary corrections are made.

The Group estimated the discount rate which has been used in calculation provision for employment termination benefit as of 31 December 2012 as 4,06%.

## NOTE 3 - SEGMENT REPORTING

The Group considers high pressure, gray cast iron and wheel division as three separate business segments and provides segmental information in accordance with the requirements of the accounting framework used.

**Segment assets:**

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Gray cast iron | 309.240.498 | 269.473.703 |
| High pressure | 99.550.540 | 70.834.087 |
| Wheel | 28.411.063 | 25.759.661 |
| Unallocated assets (*) | 236.017.992 | 79.603.137 |
| **Total assets per consolidated financial statements** | **673.220.093** | **445.670.588** |

(*) Unallocated liabilities consist of financial investments in Kumsan to TL 3.186.441 (31 December 2011: 2.780.789 TL) and loans and interests of these loans lended to Componenta Oyj amounting to TL 231.018.841 (31 December 2011: 74.973.954) as of 31 December 2012 and receivables from personnel amounting to TL 1.812.710 ( 31 December 2011: 1.848.394).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 3 - SEGMENT REPORTING (Continued)

**Segment liabilities:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Gray cast iron | 61.764.856 | 89.450.319 |
| High pressure | 29.443.780 | 11.138.545 |
| Wheel | 24.038.395 | 14.662.906 |
| Unallocated liabilities (*) | 255.012.606 | 96.686.355 |
| **Total liabilities per consolidated financial statements** | **370.259.637** | **211.938.125** |

(*) Unallocated liabilities consist of bank borrowings amounting to TL 238.168.356 (31 December 2011: TL 89.104.058), tax provisions amounting to TL 16.555.025 (31 December 2011: TL 7.582.296) and forward expense accruals amounting to TL 289.225 (31 December 2011: None) as at 31 December 2012.

**Segmental analysis for the period 1 January - 31 December 2012:**

| | 1 January - 31 December 2012 | | | |
|---|---|---|---|---|
| | **Gray cast iron** | **High pressure** | **Wheel** | **Total** |
| External revenues | 443.485.413 | 74.480.729 | 94.967.824 | 612.933.966 |
| Operating expenses | (436.015.201) | (65.417.671) | (83.853.884) | (585.286.756) |
| **Operating profit** | **7.470.212** | **9.063.058** | **11.113.940** | **27.647.210** |
| Other operating income, net | | | | 3.116.219 |
| Financial expenses, net | | | | (12.182.206) |
| Share in results of associates | | | | 487.016 |
| **Profit before tax** | | | | **19.068.239** |
| Taxation income | | | | (4.228.840) |
| **Net profit for the period** | | | | **14.839.399** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 3 - SEGMENT REPORTING (Continued)

**Segmental analysis for the period 1 January - 31 December 2011:**

| | 1 January - 31 December 2011 | | | |
|---|---|---|---|---|
| | **Gray cast iron** | **High pressure** | **Wheel** | **Total** |
| External revenues | 448.708.568 | 100.395.379 | 105.530.255 | 654.634.202 |
| Operating expenses | (418.305.660) | (87.286.060) | (87.953.700) | (593.545.420) |
| **Operating profit** | **30.402.908** | **13.109.319** | **17.576.555** | **61.088.782** |
| Other operating expense, net | | | | (634.637) |
| Financial expenses, net | | | | (7.623.276) |
| Share in results of associates | | | | 402.158 |
| **Profit before tax** | | | | **53.233.027** |
| Taxation income | | | | (11.180.690) |
| **Net profit for the period** | | | | **42.052.337** |

**Depreciation, amortization and capital expenditures:**

| | 1 January - 31 December 2012 | | | |
|---|---|---|---|---|
| | **Gray cast iron** | **High pressure** | **Wheel** | **Total** |
| Depreciation and amortization | 6.309.476 | 4.640.938 | 1.897.301 | 12.847.715 |
| Capital expenditures | 15.348.531 | 7.954.959 | 1.846.257 | 25.149.747 |

**Depreciation, amortization and capital expenditures:**

| | 1 January - 31 December 2011 | | | |
|---|---|---|---|---|
| | **Gray cast iron** | **High pressure** | **Wheel** | **Total** |
| Depreciation and amortization | 7.413.322 | 5.211.353 | 1.498.823 | 14.123.498 |
| Capital expenditures | 5.280.003 | 3.937.663 | 1.346.444 | 10.564.110 |

## NOTE 4 - CASH AND CASH EQUIVALENTS

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Cash | 3.990 | 2.222 |
| Banks | | |
| Demand deposits - EUR | 10.881.446 | 1.545.190 |
| Demand deposits - Foreign currency | 7.224.002 | 6.475.994 |
| Time deposits - EUR | 15.855.161 | 29.325.600 |
| Time deposits – Foreign currency | 6.979.173 | 27.385.831 |
| | **40.943.772** | **64.734.837** |

Time deposits maturities is three days (31 December 2011: less than 1 month). Annual effective interest rates applied to time deposits denominated in EUR and TL are 2,6% and 8,2% (31 December 2011: TL 10%, EUR 1,1% ve GBP 0,4%).

## NOTE 5 - FINANCIAL LIABILITIES

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Short term financial liabilities | 33.570.456 | 18.728.058 |
| Financial renting liabilities | 9.936.518 | 5.976.833 |
| Long term financial liabilities | 204.597.900 | 70.376.000 |
| **Total financial liabilities** | **248.104.874** | **95.080.891** |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Annual average interest rate % | Maturity Note 26 | Amount in original currency | TL |
| **Short-term bank borrowings** | | | | |
| Short term borrowings | | | | |
| TL Borrowings (*) | - | - | 7.851.513 | 7.851.513 |
| EUR Borriwings | 5,2% | 0-12 Months | 3.337.338 | 7.848.417 |
| Short-term USD borrowings against goods (**) | 1,6% | 0-12 Months | 6.489.572 | 11.568.310 |
| Short-term factoring borrowings (***) | - | 0-1 Months | 2.679.855 | 6.302.216 |
| | | | | **33.570.456** |

(*) TL borrowings consist of daily TL funds obtained for Social Security Insurance payments.
(**) Short-term USD borrowings against goods consists of bank borrowings obtained in context of prefinancing of imports.
(***) Short-term factoring borrowings consists of revocable factoring payables.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 5 - FINANCIAL LIABILITIES (Continued)

| | 31 December 2012 | | | |
|---|---|---|---|---|
| **Long-term financial liabilities** | **Annual average effective interest rate %** | **Maturity (Note 26)** | **Amount in original currency** | **TL** |
| EURO borrowings | %5,44 | 24 Months | 87.000.000 | 204.597.900 |
| | | | | **204.597.900** |

The Group has TL 33.570.456 short term bank borrowings as of 31 December 2012. The fair value of the Group's short-term financial liabilities approximates their carrying amount. Fair value of long-term financial liabilities is TL 211.193.607 (31 December 2011: TL 84.984.513) as of 31 December 2012.

| | 31 December 2012 | | | |
|---|---|---|---|---|
| **Short-term financial liabilities** | **Annual average effective interest rate %** | **Maturity (Note 26)** | **Amount in original currency** | **TL** |
| Euro borrowings | 4,00-9,8-10,2, | 8 Months | 5.000.000 | 12.219.000 |
| TL Borrowings(*) | - | 0-1 Months | 5.131.873 | 5.131.873 |
| Interest of TL Borrowing | Trlibor+1,5-2 | 3-6 Months | 766.506 | 766.506 |
| Interest of Euro Borrowing | 4,00 | 3-9 Months | 249.889 | 610.679 |
| | | | | **18.728.058** |

(*) TL borrowings consist of daily TL funds obtained for Social Security Insurance payments.

| | 31 December 2011 | | | |
|---|---|---|---|---|
| **Long-term financial liabilities** | **Annual average effective interest rate %** | **Maturity (Note 26)** | **Amount in original currency** | **TL** |
| TL Borrowings | 9,8-10,2, Trlibor+1,5-2 | 15-16 Months | 21.500.000 | 21.500.000 |
| EURO Borrowings | 4,00 | 15 Months | 20.000.000 | 48.876.000 |
| | | | | **70.376.000** |

Redemption schedules of borrowings at 31 December 2012 and 2011 are as follows:

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Up to 1 year | 33.570.456 | 18.728.058 |
| 1 to 2 years | 204.597.900 | 70.376.000 |
| | **238.168.356** | **89.104.058** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 5 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of leasing borrowings are as follows:

| | **31 December 2012** | | | **31 December 2011** | | |
|---|---|---|---|---|---|---|
| | **Minimum financial leasing payment** | **Interest** | **Total liabilities** | **Minimum financial leasing payment** | **Interest** | **Total liabilities** |
| Short-term portion | | | | | | |
| 2012 | - | - | - | 2.230.163 | (856.356) | 1.373.807 |
| 2013 | 4.212.785 | (1.095.362) | 3.117.423 | - | - | - |
| **Short-term portion** | **4.212.785** | **(1.095.362)** | **3.117.423** | **2.230.163** | **(856.356)** | **1.373.807** |
| Long-term portion | | | | | | |
| 2013 | - | - | - | 2.230.163 | (625.178) | 1.604.985 |
| 2014 | 4.192.562 | (656.054) | 3.536.508 | 3.451.340 | (453.299) | 2.998.041 |
| 2015 | 2.954.999 | (235.174) | 2.719.825 | - | - | - |
| 2016 | 596.111 | (33.349) | 562.762 | - | - | - |
| **Long-term portion** | **7.743.672** | **(924.577)** | **6.819.095** | **5.681.503** | **(1.078.477)** | **4.603.026** |
| | **11.956.457** | **(2.019.939)** | **9.936.518** | **7.911.666** | **(1.934.833)** | **5.976.833** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 6 - TRADE RECEIVABLES AND PAYABLES

**Trade Receivables:**

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Domestic customers | 7.796.291 | 5.932.639 |
| Foreign customers | 48.651.107 | 49.315.814 |
| Cheques and notes receivables | 204.069 | 759.910 |
| | **56.651.467** | **56.008.363** |
| Less: Provision for doubtful receivables | (3.772.911) | (3.772.911) |
| Less: Unearned credit finance income | (24.449) | (12.678) |
| | **52.854.107** | **52.222.774** |

<u>Aging analysis for trade receivables</u>

As of 31 December 2012, maturities of trade receivables, for which no bad debt provision has been accounted, are as follows:

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Overdue receivables | 21.695.010 | 6.987.744 |
| 0-30 days maturity | 9.441.957 | 13.748.981 |
| 31-60 days maturity | 16.381.932 | 23.986.241 |
| 61-90 days maturity | 4.402.365 | 3.977.396 |
| 91-120 days maturity | 932.843 | 3.522.412 |
| | **52.854.107** | **52.222.774** |

| Days overdue | **31 December 2012** | **31 December 2011** |
|---|---|---|
| 0-1 month | 1.240.003 | 2.753.120 |
| 1-3 months | 13.321.319 | 2.998.243 |
| 3 months and over | 7.133.688 | 1.236.381 |
| | **21.695.010** | **6.987.744** |

TL 20.577.845 of total overdue receivables comprises receivables from related parties. TL 15.486.160 these receivables from related parties has been collected until 28 February 2013.

Guarantee letters taken from the customers related with trade receivables are amounting to TL 5.229.145 (31 December 2011: TL 5.349.262).

## NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of doubtful trade receivables for the year ended 31 December 2012 and 2011 are summarized below:

| | **2012** | **2011** |
|---|---|---|
| **1 January** | 3.772.911 | 2.805.795 |
| Provision for doubtful receivables | - | 1.059.523 |
| Reversed provisions | - | (92.407) |
| **31 December** | **3.772.911** | **3.772.911** |

On average, credit terms for trade receivables vary between 1 and 3 months (31 December 2011: 1-4 month). The annual effective interest rates applied to trade receivables denominated in Euro, TL, USD, and GBP as disclosed in Note 26, are 0,4%, 9,18%, 0,27% and 0,72% respectively (31 December 2011: per annum 0,39%, 9,12%, 0,27% and 0,72%).

**Trade Payables:**

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Domestic suppliers | 55.477.735 | 46.427.119 |
| Foreign suppliers | 3.592.108 | 14.896.651 |
| Notes payable | 192.920 | 193.950 |
| | 59.262.763 | 61.517.720 |
| Less: Unearned credit finance expense | (8.808) | (6.760) |
| | **59.253.955** | **61.510.960** |

On average, credit terms for trade payables vary between 1 and 2 months (31 December 2011: between 1 and 2 months). The annual effective interest rates applied to trade payables denominated in Euro, TL, USD and GBP as disclosed in Note 26, are 0,54%, 12,64%, 0,53%, and 0,85% respectively (31 December 2011: per annum 0,34%, 9,12%, 0,23%, and 0,65%).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 7 - OTHER RECEIVABLES AND PAYABLES

**Short-term other receivables:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial receivables from related parties-Componenta Oyj (*) | 18.820.595 | 74.973.954 |
| Receivables from personnel (Note 25) | 1.812.710 | 1.848.394 |
| Guarantees and deposits given | 443.611 | 293.035 |
| | **21.076.916** | **77.115.383** |

**Long-term other receivables:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial receivables from related parties-Componenta Oyj (*) | 212.198.246 | - |
| Guarantees and deposits given | - | 4.978 |
| | **212.198.246** | **4.978** |

(*) The aforementioned amount consists of loans lended to Componenta Oyj amounting to Euro 91.720.000 and GBP 4.530.000 at 27 April 2012 and 27 June 2012 and their accruals. The maturity of loan amounting to TL 89.000.000 is 30 June 2015 (31 December 2011: The aforementioned amount consists of loans lended to Componenta Oyj amounting to Euro 25.000.000 at 15 March 2011 and TL 13.000.000 at dates of 25 October, 15 November and 22 November 2011 and their accruals).

According to The Communiqué IV, No:41 "the Principles which the Corporations subject to the Capital Market Law are Required to Follow" issued by the CMB, transfer of assets, liabilities or services to related parties which exceeds 10% of total assets should be fair and reasonable. In this context, the Group has determined interest rate of loans lended to Componenta Oyj by adding 10% margin on interest rates of loans as a base. Annual effective interest rate of the loans lended to Componenta Oyj is 6,6% for Euro and 5,5% for GBP.

**Other payables:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Factoring payables | 7.197.982 | 5.904.938 |
| Social security payables | 4.505.655 | 6.290.339 |
| Payables to personnel | 1.905.019 | 1.836.216 |
| Taxes and funds payable | 1.849.610 | 1.795.207 |
| Dividend payables (Note 25) | 68.436 | 70.333 |
| | **15.526.702** | **15.897.033** |

As of 31 December 2012, the Group factored its receivables amounting to TL 7.197.982 (31 December 2011: TL 5.904.938). Credit risk related to these receivables is not transferred.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 8 - INVENTORIES

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Raw materials | 21.032.948 | 18.560.104 |
| Work-in-progress | 4.864.774 | 317.210 |
| Finished goods | 26.869.502 | 30.516.646 |
| Other (*) | 6.142.328 | 15.967.585 |
| | 58.909.552 | 65.361.545 |
| Less: Provision for net realisable value of inventories | (241.241) | (646.179) |
| | **58.668.311** | **64.715.366** |

(*) Other inventories consist of models and moulds produced on order.

For the period from 1 January to 31 December 2012, a portion amounting to TL 237.413.497 of the cost of goods sold is related to raw material and supplies usage (1 January - 31 December 2011: TL 267.360.353).

Movements of provision for diminution in value of inventories during the period are as follows:

| | **2012** | **2011** |
|---|---|---|
| **1 January** | **646.179** | **804.056** |
| Utilized during the period | (633.549) | (804.056) |
| Foreign currency translation differences | (7.775) | - |
| Provision for diminution in value of inventories during the period | 236.386 | 646.179 |
| **31 December** | **241.241** | **646.179** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 9 - INVESTMENTS VALUED AT EQUITY METHOD

**Investments in associates:**

| | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | Associate share % | amount | Associate share % | amount |
| Kumsan | 25,10 | **3.186.441** | 25,10 | **2.780.789** |

| | 2012 | 2011 |
|---|---|---|
| **1 January- Investments in associates** | **2.780.789** | **2.378.631** |
| Profit from investments valued at equity method | 487.016 | 492.518 |
| Dividend received | (90.531) | (90.360) |
| Foreign currency translation differences | 9.167 | - |
| **31 December - Investments in associates** | **3.186.441** | **2.780.789** |

Condensed information related with the financial statements of Kumsan is as follows:

| | 31 December 2012 | | 31December 2011 | |
|---|---|---|---|---|
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| Kumsan | 14.026.060 | 1.331.076 | 12.846.698 | 1.767.859 |

| | 1 January - 31 December 2012 | | 1 January-31 December 2011 | |
|---|---|---|---|---|
| | Sales income | Net income | Sales income | Net income |
| Kumsan | 12.527.007 | 1.983.898 | 15.013.275 | 1.962.222 |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

| | Lands | Buildings and land improvements | Machinery and equipment | Furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **1 January 2012** | | | | | | | |
| Cost | 518.718 | 65.002.143 | 499.218.917 | 15.838.782 | 1.096.660 | 8.589.399 | 590.264.619 |
| Accumulated depreciation | - | (42.126.653) | (368.483.174) | (13.248.425) | (1.082.450) | | (424.940.702) |
| **Net book value** | **518.718** | **22.875.490** | **130.735.743** | **2.590.357** | **14.210** | **8.589.399** | **165.323.917** |
| **For the period ended at 31 December 2012** | | | | | | | |
| Opening net book value | 518.718 | 22.875.490 | 130.735.743 | 2.590.357 | 14.210 | 8.589.399 | 165.323.917 |
| Additions | - | 964.546 | 9.965.105 | 578.719 | - | 3.248.847 | 14.757.217 |
| Foreign currency translation differences | 309 | 5.785 | (349.413) | (3.177) | 18 | (686.521) | (1.032.999) |
| Disposals | - | - | (3.330.288) | - | (180.104) | - | (3.510.392) |
| Depreciation charge | - | (1.346.220) | (10.152.226) | (740.101) | (9.363) | - | (12.247.910) |
| Disposals from accumulated depreciation | - | - | 3.140.507 | - | 189.974 | - | 3.330.481 |
| Revaluation fund (*) | 63.703.730 | 20.577.425 | - | - | - | - | 84.281.155 |
| **Closing net book value** | **64.222.757** | **43.077.026** | **130.009.428** | **2.425.798** | **14.735** | **11.151.725** | **250.901.469** |
| **31 December 2012** | | | | | | | |
| Cost/ revalued amount | 64.222.757 | 86.602.648 | 506.277.789 | 16.437.419 | 913.508 | 11.151.725 | 685.605.847 |
| Accumulated depreciation | - | (43.525.623) | (376.268.361) | (14.011.621) | (898.773) | - | (434.704.378) |
| **Net book value** | **64.222.757** | **43.077.026** | **130.009.428** | **2.425.798** | **14.735** | **11.151.725** | **250.901.469** |

(*) The Group has adopted "revaluation model" as mentioned in Note 2.5 as permitted by IAS 16 "Property, plant and equipment" for its land, land improvements and buildings commencing from 31 December 2012, based on the valuation report performed TSKB Gayrimenkul Değerleme A.Ş. as at 18 December 2012.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Lands | Buildings and land improvements | Machinery and equipment | Furniture and fixtures | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **1 January 2011** | | | | | | | |
| Cost | 733.692 | 66.568.399 | 471.375.593 | 15.432.324 | 1.224.267 | 5.572.870 | 560.907.145 |
| Accumulated depreciation | - | (41.099.515) | (357.322.096) | (12.437.394) | (1.177.113) | - | (412.036.118) |
| **Net book value** | **733.692** | **25.468.884** | **114.053.497** | **2.994.930** | **47.154** | **5.572.870** | **148.871.027** |
| **For the period ended at 31 December 2011** | | | | | | | |
| Opening net book value | 733.692 | 25.468.884 | 114.053.497 | 2.994.930 | 47.154 | 5.572.870 | 148.871.027 |
| Additions | - | 6.298 | 13.903.640 | 280.349 | - | 17.533.837 | 31.724.124 |
| Foreign currency translation differences | 25.767 | 146.465 | 50.350 | - | 3.772 | - | 226.354 |
| Transfers | - | 56.285 | 14.326.312 | 126.109 | 8.603 | (14.517.309) | - |
| Disposals | (240.741) | (1.775.304) | (436.978) | - | (139.982) | - | (2.593.005) |
| Depreciation charge | - | (1.385.382) | (11.591.034) | (811.031) | (22.548) | - | (13.809.995) |
| Disposals from accumulated depreciation | - | 358.244 | 429.957 | - | 117.211 | - | 905.412 |
| **Closing net book value** | **518.718** | **22.875.490** | **130.735.743** | **2.590.357** | **14.210** | **8.589.399** | **165.323.917** |
| **31 December 2011** | | | | | | | |
| Cost | 518.718 | 65.002.143 | 499.218.917 | 15.838.782 | 1.096.660 | 8.589.399 | 590.264.619 |
| Accumulated depreciation | - | (42.126.653) | (368.483.174) | (13.248.425) | (1.082.450) | - | (424.940.702) |
| **Net book value** | **518.718** | **22.875.490** | **130.735.743** | **2.590.357** | **14.210** | **8.589.399** | **165.323.917** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

TL 12.558.741 (2011: TL 14.204.524) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TL 288.974 (2011: TL 383.910) to operating expenses.

Movements of revaluation fund of land, land improvements and buildings in 2012 are as follows:

| | **2012** |
|---|---|
| **1 January** | - |
| Fund increase arising from revaluation of land | 63.703.730 |
| Fund increase arising from revaluation of land improvements and building | 20.577.425 |
| Deferred tax calculated on increase in revaluation fund (Note 24) | (7.300.671) |
| **31 December** | **76.980.484** |

## NOTE 11 - INTANGIBLE ASSETS

| | **1 January 2012 Opening** | **Additions (*)** | **Disposals** | **31 December 2012 Closing** |
|---|---|---|---|---|
| **Cost** | | | | |
| Rights | 2.903.899 | 10.460.939 | 203.266 | 13.568.104 |
| **Accumulated amortization** | | | | |
| Rights | (1.741.001) | (599.805) | - | (2.340.806) |
| **Net book value** | **1.162.898** | | | **11.227.298** |

(*) Additions to intangible assets is related to SAP acquisition.

| | **1 January 2011 Opening** | **Additions** | **Disposals** | **31 December 2011 Closing** |
|---|---|---|---|---|
| **Cost** | | | | |
| Rights | 2.043.574 | 860.325 | - | 2.903.899 |
| **Accumulated amortization** | | | | |
| Rights | (1.427.499) | (313.503) | - | (1.741.002) |
| **Net book value** | **616.075** | | - | **1.162.897** |

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated)

## NOTE 12 - GOODWILL

Goodwill is amounting to TL 2.386.564 as of 31 December 2012 (2011: TL 2.424.971). Goodwill has arisen due to the acquisition of Componenta UK shares in 2006.

| | 2012 | 2011 |
|---|---|---|
| **1 January** | **2.424.971** | **1.933.575** |
| Foreign currency translation difference | (38.407) | 491.396 |
| **31 December** | **2.386.564** | **2.424.971** |

## NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### a) Provisions

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Provisions for litigation (*) | 4.603.431 | 3.031.140 |
| Holiday pay provision | 728.378 | 1.137.055 |
| Provisions for tax penalty (**) | 707.074 | 1.236.087 |
| | **6.038.883** | **5.404.282** |

(*) There are lawsuits filed against the Group due to work accidents. The group management has made employers’ liability insurance in relation to these work accidents and the related provisions are reflected to consolidated financial statements by deducting the compensable amount of insurance from estimated payments.

(**) The Group has undergone a tax investigation regarding the transactions between January 2007 and June 2010 in terms of reverse charge value added tax and witholding tax. Total tax exposure amounting to TL 7.374.265 composed of tax principle amounting to TL 2.949.706 and tax penalty amounting to TL 4.424.559 have been notified to the Company on 7 October 2010. The Group has attended to tax settlement on 6 January 2011. Tax assessment has postponed for the evaluation of legal counsellers’claims of the Group. At 31 May 2011, Group Management has decided to benefit from tax amnesty in the context of Amnesty Law No. 6111. As a result of negotiations with tax autorities, the Group agreed to pay TL 1.589.254 including interests with equal installments commencing from 30 June 2011. As of 31 December 2012, the Group has provided a provision for the unpaid portion of the tax penalty amounting to TL 707.074 (31 December 2011: TL 1.236.087).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements in the provisions during the year are as follows:

| | 1 January 2012 | Additions | Foreign currency differnce | Unutilized portion/ utilization | 31 December 2012 |
|---|---|---|---|---|---|
| Provisions for litigation | 3.031.140 | 1.554.418 | 17.870 | - | 4.603.428 |
| Holiday pay provision | 1.137.055 | 722.880 | (12.862) | (1.118.692) | 728.381 |
| Provisions for tax penalty | 1.236.087 | - | (9.925) | (519.088) | 707.074 |
| **Total** | **5.404.282** | | | | **6.038.883** |

### b) Mortgages and guarantee letters given by the Group:

As of 31 December 2012 and 31 December 2011 guarantees, pledges and mortgages (GPMs) given by the Group are as follows:

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Total TL Equivalent | Original Currency TL | Original Currency USD | Original Currency Euro |
| A. GPMs given on behalf of the Company's legal personality | 9.179.962 | 9.179.962 | None | None |
| B. GPMs given in favour of subsidiaries included in full consolidation | None | None | None | None |
| C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business | None | None | None | None |
| D. Other GPMs | | | | |
| i. GPMs given in favour of parent company | None | None | None | None |
| ii. GPMs given in favour of group companies not in the scope of B and C above. | None | None | None | None |
| iii. GPMs given in favour of third-party companies not in the scope of C above. | None | None | None | None |
| **Total GPMs** | **9.179.962** | **9.179.962** | **None** | **None** |
| **Other GPMS** | **None** | **None** | **None** | **None** |

Ratio of other GPMs given by Group to Group's equity is zero as of 31 December 2012 (31 December 2011: Zero).

Letters of guarantees given are composed of guarantees given to Custom Undersecretariat, custom offices, chamber of commerce, tax authorities, electricity and natural gas suppliers, raw material suppliers and law courts related with ongoing legal cases.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

### b) Grup Mortgages and guarantee letters given by the Group: (Continued)

| | 31 December 2011 | | | |
|---|---|---|---|---|
| | **Total TL Equivalent** | **Original Currency TL** | **Original Currency USD** | **Original Currency Euro** |
| A. GPMs given on behalf of the Company's legal personality | 4.809.423 | 4.809.423 | None | None |
| B. GPMs given in favour of subsidiaries included in full consolidation | None | None | None | None |
| C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business | None | None | None | None |
| D. Other GPMs | | | | |
| i. GPMs given in favour of parent company | None | None | None | None |
| ii. GPMs given in favour of group companies not in the scope of B and C above. | None | None | None | None |
| iii. GPMs given in favour of third-party companies not in the scope of C above. | None | None | None | None |
| **Total GPMs** | **4.809.423** | **4.809.423** | **None** | **None** |
| **Other GPMS** | **None** | **None** | **None** | **None** |

### c) Guarantees Obtained:

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Guarantee cheques and notes obtained | 5.229.145 | 5.349.262 |
| Guarantee letters obtained | 4.210.243 | 3.619.611 |
| Letters of credit | 267.952 | 843.111 |
| **Guarantees Obtained** | **9.707.340** | **9.811.984** |

Letters of guarantees taken consists of guarantees received from customers, suppliers and subcontractors.

### d) Tax Investigation:

As a result of Tax Investigation for the years of 2007, 2008, 2009 and 2010, tax authority performed tax assesment for corparate tax, value added tax witholding stamp tax, income tax witholding and stamp tax. The assessments has been notified to the Company at 8 October 2012, 15 October 2012, 22 October 2012 and 6 November 2012. Total tax assessment and special irregularity penalty related to above mentioned transactions are TL 1.962.924, 2.873.762 and 9.980 respectively. The Group has decided to attend tax settlement. As a result of tax settlement negotiations performed as at 8 January 2013 and 12 February 2013, the Group agreed on paying income tax witholding, stamp tax related to agreements and witholding stamp tax amounting to TL 1.250.011. The Group have not compromise with tax authority on payment of assessments of corporate tax and value added tax amionting to TL 3.068.498. The Group have not provided provision for these assessments at consolidated financial statements in accordance with advices of legal counsellors.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 14 - BENEFITS TO PERSONNEL

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Provision for employment termination benefits | 17.242.049 | 16.836.006 |
| | **17.242.049** | **16.836.006** |

Provision for employment termination benefit is accounted according to the following disclosures:

Under 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, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3.034 for each year of service as of 31 December 2012 (31 December 2011: TL 2.731,85). The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The following actuarial assumptions were used in the calculation of the total liability:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Annual discount rate (%) | 4,06 | 4,66 |
| Turnover rate to estimate the probability of retirement (%) | 95 | 97 |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the liability cap for each year of service is adjusted once in every six months the maximum amount of TL 3.129, which is effective from 1 January 2013 (1 January 2012: TL 2.917), has been considered in the calculation.

| | 2012 | 2011 |
|---|---|---|
| 1 January | 16.836.006 | 15.938.692 |
| Interest expense | 784.558 | 1.593.869 |
| Increase during the year | 909.932 | 1.258.112 |
| Foreign currency translation differences | (17.282) | - |
| Payments during the year | (1.271.165) | (1.954.667) |
| **31 December** | **17.242.049** | **16.836.006** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 15 - OTHER ASSET AND LIABILITIES

| **Other current assets:** | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Value Added Tax ("VAT") receivables | 9.920.307 | 9.801.317 |
| Prepaid tax (Note 24) | 3.592.724 | - |
| Receivables from personnel | 2.212.128 | 1.304.491 |
| Pre-payments to suppliers | 332.763 | 1.887.533 |
| Prepaid expenses | - | 1.006.781 |
| Other | 1.149.894 | 235.869 |
| | **17.207.816** | **14.235.991** |

**Other non-current assets:**

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Advances given for purchase of non-current assets | 2.569.153 | 449.179 |
| Prepaid expenses | - | 3.161 |
| | **2.569.153** | **452.340** |

**Other liabilities:**

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Expense accruals | 4.413.954 | 2.577.076 |
| VAT to be returned | 1.470.881 | 3.348.820 |
| Deferred income | 556.947 | 557.000 |
| Advances received | 358.382 | 2.454.626 |
| Other | 448.760 | 328.015 |
| | **7.248.924** | **9.265.537** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 16 - SHAREHOLDERS' EQUITY

The composition of the Company's statutory paid-in capital at 31 December 2012 and 31 December 2011 are as follows:

| | 31 December 2012 | Shareholding percentage (%) | 31 December 2011 | Shareholding percentage (%) |
|---|---|---|---|---|
| Componenta | 62.543.860 | 93,57% | 62.543.860 | 93,57% |
| Held by public | 4.300.940 | 6,43% | 4.300.940 | 6,43% |
| **Total paid-in-capital** | **66.844.800** | **100,00%** | **66.844.800** | **100,00%** |
| Inflation adjustment to share capital | 45.195.347 | | 45.195.347 | |
| Foreign currency translation differences | 1.700.978 | | 896.401 | |
| Share premium | 161.041 | | 161.041 | |
| Restricted reserves | 23.240.986 | | 23.240.986 | |
| Retained earnings | 73.997.421 | | 55.341.551 | |
| Revaluation fund | 76.980.484 | | - | |
| Net income for the year | 14.839.399 | | 42.052.337 | |
| **Total** | **302.960.456** | | **233.732.463** | |

The Company has 66.844.000.000 shares (31 December 2011: 66,844,800,000 shares) each with the nominal value of Kr 0.1 as of 31 December 2012. The Company has no privileged shares.

Adjustment to share capital represents the inflation restatement effect of the cash contributions to share capital.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital

In accordance with Capital Market Board Financial Reporting Standards, above-mentioned amounts should be classified under "Restricted Reserves". "Restricted Reserves" amount to TL 23.240.986 as of 30 September 2012 including TL 17.359.091 profit on financial asset sales classified under equity (31 December 2011: TL 23.240.986).

At the General Assembly meeting dated 26 April 2012, the Group decided to distribute dividends amounting to TL 23.396.467 to shareholders. The Group started the distribution of cash dividends commencing from the date of 23 May 2012.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 17 - SALES AND COST OF SALES

| | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| Domestic sales | 182.979.490 | 205.518.607 |
| Export sales | 432.104.555 | 450.888.000 |
| Other sales | 18.130.205 | 14.417.047 |
| Sales revenue (gross) | 633.214.250 | 670.823.654 |
| Less: Discounts and returns | (20.280.284) | (16.189.452) |
| **Sales revenue (net)** | **612.933.966** | **654.634.202** |
| **Cost of sales** | (494.617.218) | (500.817.107) |
| **Gross operating income** | **118.316.748** | **153.817.095** |

## NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES; MARKETING, SALES AND DISTRIBUTION EXPENSES; GENERAL ADMINISTRATIVE EXPENSES

**Marketing, sales and distribution expenses:**

| | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| Insurance premiums related to freight and customs procedures | (19.622.872) | (19.839.157) |
| Packaging | (13.234.295) | (13.195.959) |
| License fees | (9.909.975) | (10.490.348) |
| Transportation | (3.304.603) | (3.676.434) |
| Warehousing | (2.612.712) | (2.553.439) |
| Personnel | (2.169.520) | (2.186.273) |
| Sales commissions | (52.837) | (211.725) |
| Other | (2.229.837) | (2.781.773) |
| | **(53.136.651)** | **(54.935.108)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES; MARKETING, SALES AND DISTRIBUTION EXPENSES; GENERAL ADMINISTRATIVE EXPENSES (Continued)

**General administrative expenses:**

| | **1 January - 31 December 2012** | **1 January- 31 December 2011** |
|---|---|---|
| Service charges by parent company | (16.613.379) | (15.178.884) |
| Personnel | (9.250.610) | (9.303.511) |
| Litigation provision (Note 13) | (1.554.418) | (2.157.390) |
| Subcontractor expenses | (1.155.592) | (894.072) |
| Audit fee | (1.120.955) | (1.291.491) |
| Legal counselling and consultancy expenses | (1.013.631) | (1.432.390) |
| Repair, maintenance and cleaning | (446.897) | (756.929) |
| Taxes and stamp duty | (404.389) | (254.395) |
| Subscriptions | (383.769) | (346.834) |
| Depreciation and amortization | (288.974) | (383.910) |
| Notification payments | (283.437) | (244.391) |
| Travel | (151.231) | (233.330) |
| Public holiday pay provision | - | (90.463) |
| Unused vacation | - | (280.141) |
| Other | (2.660.021) | (3.482.808) |
| | **(35.327.303)** | **(36.330.939)** |

**Research and development expenses:**

| | **1 January - 31 December 2012** | **1 January- 31 December 2011** |
|---|---|---|
| Personnel | (2.082.404) | (1.423.930) |
| Research and development project expenses | (76.980) | (19.532) |
| Other | (46.200) | (18.804) |
| | **(2.205.584)** | **(1.462.266)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 19 - EXPENSES BY TYPE

| | 1 January - 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Raw material and supplies | 237.413.497 | 267.360.353 |
| Personnel | 107.087.541 | 98.973.770 |
| General production expenses | 65.642.893 | 69.112.003 |
| Energy | 56.792.605 | 49.030.107 |
| Transportation, commission and insurance expenses | 24.338.663 | 24.926.779 |
| Service charges by parent company | 16.613.379 | 15.178.884 |
| Packaging expenses | 13.234.295 | 13.195.959 |
| Depreciation and amortization | 12.847.715 | 14.588.434 |
| License fees | 9.909.975 | 10.490.348 |
| Warehousing | 2.612.712 | 2.553.439 |
| Other | 38.793.481 | 35.635.129 |
| | **585.286.756** | **601.045.205** |

## NOTE 20 - OTHER INCOME/EXPENSES

**Other operating income:**

| | 1 January - 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Income due to cancellation of provision for VAT to be returned | 1.975.498 | - |
| Insurance damage incomes | 919.845 | - |
| Income on sales of property, plant and equipment | 687.458 | 921.859 |
| Service charges to parent company (*) | 256.375 | 246.250 |
| Collectible incentive premium | 48.956 | - |
| Income due to cancellation of provisions | 5.000 | 92.407 |
| Other | 437.887 | 1.006.867 |
| | **4.331.019** | **2.267.383** |

(*) Aforementioned amount represents services provided by the Group employees' to Componenta Oyj.

**Other operating expense:**

| | 1 January - 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Tax amnesty expenses | - | (1.589.254) |
| Doubtful provision expenses | - | (1.059.523) |
| Other | (1.214.800) | (343.603) |
| | **(1.214.800)** | **(2.992.380)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 21 - FINANCIAL INCOME

| | 1 January - 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Interest income | 10.833.730 | 4.378.571 |
| Forward contract income (*) | 5.311.428 | - |
| Foreign exchange gain | 2.463.676 | 35.614.578 |
| Interest income on credit sales | - | 27.704 |
| Other | 129.746 | 84.151 |
| | **18.738.580** | **40.105.004** |

(*) The mentioned amount is related to financial income as a result of forward transactions (forward agreements) that is made by the Group during the year of 2012.

## NOTE 22 - FINANCIAL EXPENSE

| | 1 January - 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Interest expenses | (11.069.911) | (4.993.357) |
| Factoring expenses | (10.774.155) | (9.549.056) |
| Foreign exchange losses | (6.701.321) | (26.893.181) |
| Finance leasing interest expenses | (881.960) | - |
| Forward contract expenses | - | (5.739.007) |
| Other | (1.493.439) | (553.679) |
| | **(30.920.786)** | **(47.728.280)** |

## NOTE 23 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

At the meeting held on 23 January 2012, Group management has decided to start necessary activities for the sales of wheel production plant at Manisa. According to IFRS 5 wheel production plant planned to be sold has been classified as discontinued operation and IFRS 5 has been applied in the accounting of discontinued operations.

Wheel production plant at Manisa is not classified as discontinued operation due to requirements could not be fulfilled.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 24 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Corporate taxes payable | 2.425.191 | 11.026.749 |
| Prepaid taxes | (6.017.915) | (10.665.629) |
| **Tax provision/ (Prepaid tax)** | **(3.592.724)** | **361.120** |

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on an individual-entity basis.

Corporate tax rate for the fiscal year 2012 is %20. (2011: %20). Corporate tax rate for the subsidiary of the Group in England is %24 (2011:%28).

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income and declare by the 14th of the second month following the quarter. (31 December 2011: 20%). Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until 25th of the fourth month following the end of the financial year to which they relate. Tax returns are open for 5 years starting from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Taxation expenses recognized in the consolidated statements of income for the periods ended 31 December 2012 and 2011 are as follows:

| | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| Current period tax charge | (2.594.867) | (10.955.149) |
| Deferred tax expense | (1.633.973) | (225.541) |
| **Total taxation expense** | **(4.228.840)** | **(11.180.690)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 24 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

**Deferred income taxes:**

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between tax bases of assets and liabilities and their carrying values in the consolidated financial statements, using the currently enacted tax rates. The tax rate applied to temporary differences is 20% (31 December 2011: 20%). The tax rate applied to the Group's subsidiary in United Kingdom is 24% (31 December 2011: 28%).

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2012 and 31 December 2011, were as follows**:**

| | **Cumulative temporary differences** | | **Deferred tax assets / (liabilities)** | |
|---|---|---|---|---|
| | **31 December 2012** | **31 December 2011** | **31 December 2012** | **31 December 2011** |
| Net difference between the tax base and the carrying value of property, plant and equipment and intangibles | 73.542.030 | 62.805.205 | (14.708.406) | (12.561.041) |
| Revaluation fund for land | 15.925.930 | - | (3.185.186) | - |
| Revaluation fund for land improvements and buildings | 20.577.425 | - | (4.115.485) | - |
| Provision for employment termination benefits and notification payments (Note 14) | (17.242.051) | (16.836.006) | 3.448.410 | 3.367.201 |
| Net difference between the tax base and carrying value of inventories | 731.539 | (844.172) | (146.308) | 168.834 |
| Holiday pay provision | (728.378) | 147.153 | 145.676 | (29.431) |
| Timing differences in recognition of revenue | (341.062) | (216.201) | 68.212 | 43.240 |
| Legal provisions | (3.317.799) | (3.031.140) | 663.560 | 606.228 |
| Provision for doubtful receivables | (3.483.058) | (2.197.207) | 696.612 | 439.441 |
| Price differences | (280.734) | (321.713) | 56.147 | 64.343 |
| Other | (2.608.717) | (1.594.438) | 521.743 | 318.889 |
| **Deferred tax liabilities - net** | | | **(16.555.025)** | **(7.582.296)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 24 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Movements of deferred tax liability can be analyzed as follows:

| | **2012** | **2011** |
|---|---|---|
| 1 January | (7.582.296) | (7.356.756) |
| Current period deferred tax income | (1.633.973) | (225.540) |
| Charged to equity | (7.300.671) | - |
| Foreign currency translation differences | (38.085) | - |
| **31 December** | **(16.555.025)** | **(7.582.296)** |

The reconciliation of the taxation on income in the consolidated statement of income for the periods ended 31 December 2012 and 2011 and the taxation on income calculated with the current tax rate over income from continuing operations before tax is as follows:

| | **2012** | **2012** |
|---|---|---|
| Income before income taxes | 19.068.239 | 53.233.028 |
| Effective tax rate | 20% | 20% |
| Provision for corporate tax calculated by effective tax rate | (3.813.648) | (10.646.605) |
| Effect of tax rate difference between England and Turkey | 65.761 | 167.875 |
| Effect of share in associates | 34.491 | 80.431 |
| Effect of disallowable expenses | (479.656) | (811.682) |
| Effect of discounts | 64.636 | - |
| Other | (100.424) | 29,289 |
| **Tax provision** | **(4.228.840)** | **(11.180.690)** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 25 - RELATED PARTY DISCLOSURES

Amounts due from and due to related parties at the end of the period and transactions with the related parties during the period are summarized below:

### a) Due from related parties:

### i. Trade receivables:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Componenta Främmestad AB | 15.518.786 | 10.191.495 |
| Componenta Finland Oy Högfors | 5.379.936 | 1.188.030 |
| Componenta B.V. | 1.309.934 | 52.581 |
| Componenta.B.V.Weert Machine Shops | 831.984 | - |
| Componenta Oyj | 67.496 | 4.088.036 |
| Other | - | 383.561 |
| | **23.108.136** | **15.903.703** |

### ii. Other receivables:

**a) Short-term other receivables:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial receivables-Componenta (*) (Note 7) | 18.820.595 | 74.973.954 |
| Due from personnel | 1.812.710 | 1.848.394 |
| | **20.633.305** | **76.822.348** |

**b) Long-term other receivables:**

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial receivables-Componenta (*) (Note 7) | 212.198.246 | - |
| | **212.198.246** | **-** |

(*) The aforementioned amount consists of loans lended to Componenta Oyj amounting to Euro 91.720.000 and GBP 4.530.000 at 27 April 2012 and 27 June 2012 and their accruals. The maturity of loan amounting to TL 89.000.000 is 30 June 2015 (31 December 2011: The aforementioned amount consists of loans lended to Componenta Oyj amounting to Euro 25.000.000 at 15 March 2011 and TL 13.000.000 at dates of 25 October, 15 November and 22 November 2011 and their accruals).

According to The Communiqué IV, No:41 "the Principles which the Corporations subject to the Capital Market Law are Required to Follow" issued by the CMB, transfer of assets, liabilities or services to related parties which exceeds 10% of total assets should be fair and reasonable. In this context, the Group has determined interest rate of loans lended to Componenta Oyj by adding 10% margin on interest rates of loans as a base. Annual effective interest rate of the loans lended to Componenta Oyj is 6,6% for Euro and 5,5% for GBP.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

### b) Trade payables to related parties:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Componenta Oyj | 2.445.776 | 7.694.416 |
| Kumsan | 463.939 | 336.981 |
| Componenta Pietarsaari | 264.652 | - |
| Componenta B.V. | 97.586 | 1.876.580 |
| Componenta Finland Oy Högfors | 93.719 | - |
| Componenta Främmestad AB | 88.086 | - |
| Other | - | 1.160.871 |
| | **3.453.758** | **11.068.848** |

### c) Short-term other payables to related parties

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Due to personnel | 1.905.019 | 1.837.224 |
| Due to shareholders | 68.436 | 70.333 |
| | **1.973.455** | **1.837.224** |

### d) Sales to related parties:

Detailed breakdown of sales to related parties for the period between 1 January – 31 December 2012 are as follows:

| | Trade goods | Model | Service of management | Total |
|---|---|---|---|---|
| Componenta Främmestad AB | 35.014.558 | 1.639.767 | - | 36.654.325 |
| Componenta Finland Oy Högfors | 8.955.999 | - | - | 8.955.999 |
| Componenta B.V. | 1.894.648 | 5.979 | - | 1.900.627 |
| Comp.B.V.Weert Machine Shops | 603.064 | 4.792 | - | 607.856 |
| Componenta Oyj | - | - | 265.057 | 265.057 |
| | **46.468.269** | **1.650.538** | **265.057** | **48.383.864** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOT 25 - RELATED PARTY DISCLOSURES (Continued)

Detailed breakdown of sales to related parties for the period between 1 January - 31 December 2011 are as follows:

| | Trade goods | Model | Service of management | Total |
|---|---|---|---|---|
| Componenta Främmestad AB | 35.911.224 | 1.526.270 | - | 37.437.494 |
| Componenta B.V. | 1.122.404 | 1.063.376 | - | 2.185.780 |
| Componenta Oyj | - | - | 246.250 | 246.250 |
| Comp.B.V.Weert Machine Shops | 86.855 | 44.985 | - | 131.840 |
| | **37.120.483** | **2.634.631** | **246.250** | **40.001.364** |

### e) Goods and services received:

Detailed breakdown of purchases from related parties for the period between 1 January - 31 December 2012 are as follows:

| | Cost of license | Service of management | Other | Total |
|---|---|---|---|---|
| Componenta Oyj | 6.937.846 | 16.487.777 | - | 23.425.623 |
| Componenta B.V. | - | - | 1.209.229 | 1.209.229 |
| Componenta Pietarsaari | - | - | 931.262 | 931.262 |
| Componenta Karkkıla | - | - | 351.446 | 351.446 |
| Componenta Främmestad AB | - | - | 347.759 | 347.759 |
| | **6.937.846** | **16.487.777** | **2.839.696** | **26.265.319** |

Detailed breakdown of purchases from related parties for the period between 1 January - 31 December 2011 are as follows:

| | Cost of license | Service of management | Other | Total |
|---|---|---|---|---|
| Componenta Oyj | 7.413.148 | 15.178.884 | - | 22.592.032 |
| Componenta B.V. | 1.637.845 | - | 839.506 | 2.477.351 |
| Componenta Pietarsaari | 526.739 | - | 214.472 | 741.211 |
| Componenta Karkkıla | 652.219 | | | 652.219 |
| | **10.229.951** | **15.178.884** | **1.053.978** | **26.462.714** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOT 25 - RELATED PARTY DISCLOSURES (Continued)

### f) Financial expenses:

| | 1 January-<br>31 December 2012 | 1 January-<br>31 December 2011 |
|---|---|---|
| Componenta Oyj | 10.210.658 | 3.954.469 |
| Interest obtained from personnel | 156.167 | - |
| | **10.366.825** | **3.954.469** |

### h) Remunerations to key management personnel:

Key management personnel include general manager and directors and remunerations provided to key management personnel are as follows:

| | 1 January-<br>31 December 2012 | 1 January-<br>31 December 2011 |
|---|---|---|
| Short-term benefits | 6.128.047 | 3.739.854 |
| Other long-term benefits | 895.200 | 249.927 |
| Benefits after retirement | 153.451 | - |
| Benefits due to employment terminations | - | - |
| Share based payments | - | - |
| **Total** | **7.176.698** | **3.989.781** |

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks; these risks are 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, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

### a) Interest-rate risk

The Group makes investments to short term financial instruments in order to manage the risk with natural hedging by compensating the terms of interest rate sensitive assets and liabilities.

Interest-risk of the Group is derived from financial liabilities which have short and long term maturity

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Financial instruments with fixed interest rate** | | |
| Financial Assets | 40.943.772 | 64.734.837 |
| Financial liabilites | 238.168.356 | 89.104.058 |
| **Financial instruments with variable interest rate** | | |
| Financial Assets | 211.478.848 | 74.973.954 |
| Financial liabilites | 9.936.518 | 5.976.833 |

Loans with variable interest rates which are classified as financial liabilities in Group's balance sheet are exposed to interest-rate risk due to interest rate changes in market. At 31 December 2012, if Euro and TL denominated interest rates became %1 higher/ lower with all other variables held constant, profit before tax would be lower/ higher by TL 403.986 (31 December 2011: TL 343.762).

Loans with variable interest rates which are classified as financial assets in Group's balance sheet are exposed to interest-rate risk due to interest rate changes in market. At 31 December 2012, if Euro and TL denominated interest rates became %1 higher /lower with all other variables held constant, profit before tax would be higher /lower by TL 242.139 (31 December 2011: TL 1.307.878).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

### b) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Credit risk of the Company mainly arises from trade receivables and trade receivables consist of domestic and foreign receivables. In case of any collection problem with customers, the Group reduces the credit risk by limiting transactions with related customers. Analysis of credit risk exposed by types of financial instruments as at 31 December 2012 and 2011 is as follows:

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2012** | **Trade Receivables** | | **Other Receivables** | | **Bank Deposits** | **Total** |
| | **Related Parties** | **Other Parties** | **Related Parties** | **Other Parties** | | |
| **Maximum credit risk as of reporting date (A+B+C+D+E)** | **23.108.136** | **29.745.971** | **232.831.551** | **443.611** | **40.939.782** | **327.069.051** |
| Guaranteed portion of the maximum risk | - | 4.210.243 | - | - | - | 4.210.243 |
| **A. Net book value of the assets that are not due or that are not impaired** | 23.108.136 | 8.050.961 | 232.831.551 | 443.611 | 40.939.782 | 305.374.041 |
| **B. Value of the financial assets whose terms have been renegotiated, otherwise considered as overdue or impaired** | - | - | - | - | - | - |
| **C. Book value of the overdue but not impaired assets (Note 6)** | - | 21.695.010 | - | - | - | 21.695.010 |
| - Guaranteed portion | | | | | | |
| **D. Net book value of the assets impaired** | - | - | - | - | - | - |
| Overdue (gross book value) | | 3.772.911 | | | | 3.772.911 |
| Impairment (-) | | (3.772.911) | | | | (3.772.911) |
| Guaranteed portion of the net book value | - | - | - | - | - | - |
| Not due (gross book value) | | | | | | |
| Impairment (-) | - | - | - | - | - | - |
| Guaranteed portion of the net book value | - | - | - | - | - | - |
| E. Off balance sheet items with credit risk | | | | | | |
| **E. Off balance sheet items with credit risk** | - | - | - | - | - | - |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

### b) Credit risk (Continued)

| 31 December 2011 | Receivables | | | | | |
|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | Bank Deposits | Total |
| | Related Parties | Other Parties | Related Parties | Other Parties | | |
| **Maximum credit risk as of reporting date (A+B+C+D+E)** | **15.903.703** | **36.319.071** | **76.822.348** | **293.035** | **64.734.837** | **194.072.994** |
| Guaranteed portion of the maximum risk | - | 3.619.611 | - | - | - | 3.619.611 |
| **A. Net book value of the assets that are not due or that are not impaired** | 15.903.703 | 29.421.327 | 76.822.348 | 293.035 | 64.732.615 | 187.173.028 |
| **B. Value of the financial assets whose terms have been renegotiated otherwise considered as overdue or impaired** | - | - | - | - | - | - |
| **C. Book value of the overdue but not impaired assets (Note 10** | - | 6.897.744 | - | - | - | 6.897.744 |
| - - Guaranteed portion | - | - | - | - | - | - |
| **D. Net book value of the assets impaired** | - | - | - | - | - | - |
| Overdue (gross book value) | - | 3.772.911 | - | - | - | 3.772.911 |
| Impairment (-) | - | (3.772.911) | - | - | - | (3.772.911) |
| Guaranteed portion of the net book value | | | | | | |
| Not due (gross book value | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - |
| Guaranteed portion of the net book value | - | - | - | - | - | - |
| E. Off balance sheet items with credit risk | - | - | - | - | - | - |
| **E. Off balance sheet items with credit risk** | - | - | - | - | - | - |

### c) Liquidity risk

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

The Group is provided flexibility in funding through available credit lines considering the dynamics of business environment. The Group management holds adequate cash, credit commitment and factoring capacity that will meet the need for cash for 4-weeks in order to manage its liquidity risk. In this context, the Group has credit commitments from banks amounting to Euro 23 million that the Group can utilize whenever needed, and a factoring agreement of TL 57 million and Euro 68 million.

Remaining maturities of liabilities which includes interest are disclosed in the following page:

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

### c) Liquidity risk (Continued)

| | 31 December 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| Agreement terms: Non-derivative financial liabilities | **Net book value** | **Agreed total cash outflows** | **Less than 3 months** | **3-12 months** | **1-5 years** | **5-10 years** | **Cash** |
| Bank loans | 238.168.356 | 242.486.958 | 6.302.215 | 27.210.447 | 208.974.296 | - | - |
| Finance lease liabilities | 9.936.518 | 11.956.456 | 623.219 | 3.589.566 | 7.743.671 | - | - |
| **Total** | **248.104.874** | **254.443.414** | **6.925.434** | **30.800.013** | **216.717.967** | **-** | **-** |

| | 31 December 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| Agreement terms: Non-derivative financial liabilities | **Net book value** | **Agreed total cash outflows** | **Less than 3 months** | **3-12 months** | **1-5 years** | **5-10 years** | **Cash** |
| Bank loans | 89.104.058 | 95.503.010 | 5.819.025 | 16.241.558 | 73.442.427 | - | - |
| Finance lease liabilities | 5.976.833 | 7.911.666 | 557.541 | 1.672.622 | 5.681.503 | - | - |
| **Total** | **95.080.891** | **103.414.676** | **6.376.566** | **17.914.180** | **79.123.930** | **-** | **-** |

| | 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| Expected terms Non-derivative financial liabilities | **Net book value** | **Expected total cash outflows** | **Less than 3 months** | **3-12 months** | **1-5 years** | **Cash** |
| Trade payables | 59.253.955 | 59.262.763 | 59.262.763 | - | - | - |
| Other payables | 15.526.702 | 15.526.702 | 15.526.702 | - | - | - |
| Other liabilities | 7.248.924 | 7.248.924 | 7.248.924 | - | - | - |
| **Total** | **82.029.581** | **82.038.389** | **82.038.389** | **-** | **-** | **-** |

| | 31 December 2011 | | | | | |
|---|---|---|---|---|---|---|
| Expected terms Non-derivative financial liabilities | **Net book value** | **Expected total cash outflows** | **Less than 3 months** | **3-12 months** | **1-5 years** | **Cash** |
| Trade payables | 61.510.960 | 61.517.720 | 61.517.720 | - | - | - |
| Other payables | 15.897.033 | 15.897.033 | 15.897.033 | - | - | - |
| Other liabilities | 9.265.537 | 9.265.537 | 9.265.537 | - | - | - |
| **Total** | **86.673.530** | **86.680.290** | **86.680.290** | **-** | **-** | **-** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

Unearned credit finance expense is not calculated since the maturities of trade payables, other payables and other liabilities are short.

### d) Foreign currency risk

The Group is expected to foreign exchange risk due to translation into TL of foreign currency denominated assets and liabilities, mainly being foreign currency denominated trade receivables and bank borrowings. Such risk is monitored in meetings held by the Board of Directors. The Group is maintaining a natural hedge through balancing foreign currency denominated assets and liabilities. Factoring transactions, entered into to manage liquidity risk, are also an important element in maintaining such balance.

The table below summarizes the Group's foreign currency position at 31 December 2012 and 2011.Book value of foreign currency denominated assets and liabilities held by the Group are as follows:

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Total export | 421.524.415 | 450.888.000 |
| Total import | 104.885.250 | 147.484.640 |
| Hedging ratio of foreign currency position | %0 | %0 |

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

**Foreign currency position**

| | **31 December 2012** | | | | | **31 December 2011** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **TL Equivalent (Functional Currency-Euro)** | **USD** | **TL** | **GBP** | **SEK** | **TL Equivalent (Functional Currency-TL)** | **USD** | **Euro** | **GBP** | **SEK** |
| 1. Trade Receivables | 425.662 | 17.457 | - | 385.256 | - | 43.955.099 | 2.686 | 17.984.297 | - | - |
| 2a. Monetary Financial Assets (including Cash, Banks accounts) | 14.207.163 | 1.646.476 | 9.495.923 | 370.901 | - | 38.060.375 | 12.033 | 13.624.269 | 1.625.868 | - |
| 2b. Non-monetary Financial Assets | | | | | | - | - | - | - | - |
| 3. Other | 1.942.577 | - | 1.942.577 | - | - | 62.973.984 | 33.197 | 25.743.182 | 31 | - |
| **4. Current Assets (1+2+3)** | **16.575.402** | **1.663.933** | **11.438.500** | **756.157** | **-** | **144.989.458** | **47.916** | **57.351.748** | **1.625.899** | **-** |
| 5. Trade Receivables | - | - | - | - | - | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - | - | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - | - | - | - | - |
| **8. Fixed Assets (5+6+7)** | **-** | **-** | **-** | **-** | **-** | | | | | **-** |
| **9. Total assets (4+8)** | **16.575.402** | **1.663.933** | **11.438.500** | **756.157** | **-** | **144.989.458** | **47.916** | **57.351.748** | **1.625.899** | **-** |
| 10. Trade Payables | 48.789.325 | 3.277.698 | 41.681.848 | 440.523 | - | 20.042.817 | 1.054.432 | 6.693.470 | 185.551 | 4.233.300 |
| 11. Financial Liabilities | - | - | - | - | - | 61.705.679 | - | 25.249.889 | - | - |
| 12a. Other Monetary Liabilities | 6.201.299 | - | 4.387.649 | 631.758 | - | 4.986.579 | 2.694 | 2.038.420 | - | - |
| 12b. Other Non-monetary Liabilities | - | - | - | - | - | - | - | - | - | - |
| **13. . Short-term Liabilities (10+11+12)** | **54.990.624** | **3.277.698** | **46.069.497** | **1.072.281** | **-** | **86.735.075** | **1.057.126** | **33.981.779** | **185.551** | **4.233.300** |
| 14. Trade Payables | - | - | - | - | - | - | - | - | - | - |
| 15. . Financial Liabilities | 19.419.826 | 6.489.572 | 7.851.514 | - | - | | | | - | - |
| 16 a. Other Monetary Liabilities | - | - | - | - | - | - | - | - | - | - |
| 16. b Other Nonmonetary Liabilities | - | - | - | - | - | - | - | - | - | - |
| **17. Long-term Liabilities (14+15+16)** | **19.419.826** | **6.489.572** | **7.851.514** | **-** | **-** | | | | | **-** |
| **18. Total liabilities (13+17)** | **74.410.450** | **9.767.270** | **46.069.497** | **1.072.281** | **-** | **86.735.075** | **1.057.126** | **33.981.779** | **185.551** | **4.233.300** |
| **19. Net Asset / (Liability) Position of the Off- Balance-Sheet Foreign Exchange Based Derivatives (19a-19b** | **(84.486.041)** | **-** | **(66.400.000)** | **(6.300.000)** | **-** | **44.659.300** | **-** | **13.500.000** | **4.000.000** | **-** |
| **19.a. The Amount of the Asset Type Off-Balance-Sheet Foreign Exchange Based Derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **19.b. . The Amount of the Liability Type Off Balance-Sheet Foreign Exchange Based Derivatives** | **84.486.041** | **-** | **66.400.000** | **6.300.000** | **-** | **44.659.300** | **-** | **13.500.000** | **4.000.000** | **-** |
| **20. Net Foreign Exchange Asset / (Liability Position (9-18+19)** | **(142.321.089)** | **(8.103.337)** | **(101.030.997)** | **(6.616.124)** | **-** | **13.595.083** | **(1.009.210)** | **9.869.969** | **(2.559.652)** | **(4.233.300)** |
| **21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)** | **(48.615.581)** | **(8.103.337)** | **(44.425.088)** | **(316.124)** | **-** | **(4.719.601)** | **(1.042.407)** | **(2.373.213)** | **1.440.317** | **(4.233.300)** |
| **22. Total Exports** | **89.297.591** | **17.465** | **-** | **30.859.029** | **-** | **450.888.000** | **247.394** | **150.589.589** | **36.860.548** | **-** |
| **23. Total Imports** | **71.499.302** | **39.850.475** | **-** | **14.177** | **-** | **147.484.640** | **63.822.025** | **17.240.936** | **4.915** | **-** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

| **31 December 2012** | **Profit/Loss** | | **Shareholders' Equity** | |
|---|---|---|---|---|
| | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** |
| **%10 change in USD against TL** | | | | |
| 1. . USD net asset/liability | (1.415.424) | 1.415.424 | - | - |
| 2. Hedged from the USD risk (-) | | | | |
| **3. USD Net Effect (1+2)** | **(1.415.424)** | **1.415.424** | **-** | **-** |
| **%10 change in Avro against TL** | | | | |
| 4. Avro net asset/liability | (3.393.391) | 3.393.391 | - | - |
| 5. Hedged from the Avro risk (-) | | | | |
| **6. Net Avro Effect (4+5)** | **(3.393.391)** | **3.393.391** | **-** | **-** |
| **%10 change in GBP against Avro** | | | | |
| 7. GBP net asset/liability | (88.926) | 88.926 | - | - |
| 8. Hedged from the GBP risk (-) | | | | |
| **9. Net GBP Effect (7+8)** | **(88.926)** | **88.926** | **-** | **-** |
| **Total (3+6+9)** | **(4.897.741)** | **4.897.741** | **-** | **-** |

| **31 December 2011** | **Profit/Loss** | | **Shareholders' Equity** | |
|---|---|---|---|---|
| | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** |
| **%10 change in USD against TL** | | | | |
| 1. USD net asset/liability | (190.630) | 190.630 | - | - |
| 2. Hedged from the USD risk (-) | - | - | - | - |
| **3. USD Net Effect (1+2)** | **(190.630)** | **190.630** | **-** | **-** |
| **%10 change in Avro against TL** | | | | |
| 4. Avro net asset/liability | 5.711.153 | (5.711.153) | - | - |
| 5. . Hedged from the Avro risk (-) | (3.299.130) | 3.299.130 | - | - |
| **6. . Net Avro Effect (4+5)** | **2.412.023** | **(2.412.023)** | **-** | **-** |
| **%10 change in GBP against TL** | | | | |
| 7. GBP net asset/liability | 420.150 | (420.150) | - | - |
| 8. Hedged from the GBP risk (-) | (1.166.800) | 1.166.800 | - | - |
| **9. Net GBP Effect (7+8)** | **(746.650)** | **746.650** | **-** | **-** |
| **Total (3+6+9)** | **1.474.743** | **(1.474.743)** | **-** | **-** |

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 26 - CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

### e) Price risk

The Group is exposed to commodity (gray cast iron, aluminium) price risk due to the nature of its business. In order to limit the price risk, the Group makes contracts on fixed prices based on the production capacity estimates performed at the beginning of period.

### f) Capital risk management

The Group'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 to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of debt/equity ratio. The Group has not set any specific target in regards to this ratio and determines its strategies by evaluating the market conditions and the needs of the Group arising from operations for each period.

| | **31 December 2012** | **31 December 2011** |
|---|---|---|
| Financial liabilities | 330.134.455 | 181.754.421 |
| Less: Cash and cash equivalents (Note 4) | (40.943.772) | (64.734.837) |
| Net liability | 289.190.683 | 117.019.584 |
| Total equity | 302.960.456 | 233.732.463 |
| **Financial liabilities/equity ratio** | **95%** | **50%** |

## NOTE 27 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGING DISCLOSURES)

Finding access to financial markets and managing financial risks arisen from operational activities of the Group fall under the responsibility of the Group's finance department. Aforementioned risks include market risk (foreign exchange risk, interest rate risk and price risk). Financial risk covers market risk (exchange rate risk, fair value of interest risk and price risk), credit risk, liquidity risk and cash flow risk.

In order to hedge these risks, the Group uses forward foreign currency transaction agreements as a financial instrument at times.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

## NOTE 27 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGING DISCLOSURES) (Continued)

| | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | **Contractual Amount** | **Current Value** | **Contractual Amount** | **Current Value** |
| **Derivative foreign exchange financial instruments** | | | | |
| Forward foreign exchange sales transactions -Avro | 29.407.011 | (478.266) | 13.500.000 | 603.585 |
| Forward foreign exchange sales transactions -GBP | 18.086.040 | 189.041 | 4.000.000 | (107.240) |
| | | **(289.225)** | | **496.345** |

As of 31 December 2012, the Group has forward foreign exchange purchase agreements that have a total value 66.400.000 TL against 28.217.348 Euro, 6.300.000 GBP against 7.796.145 Euro forward foreign exchange sale agreements that have a total value. With regard to these contracts, an income accrual of TL 289.225 TL is recognized in consolidated financial statements. (31 December 2011: TL 496.345 income accrual).

## NOTE 28 - EARNINGS PER SHARE

For 1 January - 31 December 2012 and 1 January - 31 December 2011 accounts terms, weighted average of Group's share and profit accounts for unit share:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Weighted average number of ordinary share with a nominal value of Kr 0.1 | 66.844.800.000 | 66.844.800.000 |
| Net profit for the year (TL) | 14.839.399 | 42.052.337 |
| **Earnings per share with nominal value of TL 0.01(1 KR)** | **0,0222** | **0,0629** |

## NOTE 29 - SUBSEQUENT EVENTS

The Group continues collective labor bargaining with Turkish Metal Labor Union for the period of 1 September 2012 - 31 August 2014. As of issuance date of these consolidated financial statements, the neogation process has not finalised.

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