COMPONENTA
Casting Future Solutions

COMPONENTA DÖKÜMCÜLÜK A.Ş.
ANNUAL REPORT **2012**

SOLUTIONS

360°

The foundation for all of our processes and ways of operating is our goal to be our customers' preferred casting solutions provider. We grow as One Componenta, together with our customers. The principles of sustainable development are integrated into our business. We aim to reduce the environmental impact of a cast component for its entire life cycle. We pay attention to people and invest in development of competence, wellbeing and safety.

Componenta is a major casting solutions provider in Europe. We know our customers' industries and challenges and offer them solutions based on our excellence and experience in cast components, their engineering and manufacturing.

Our customers are manufacturers of vehicles, machines and equipment in various industries, who are local or global players and often market leaders in their own sectors. Our solutions and services for them cover the complete cast component supply chain.

In 2012, Componenta's net sales amounted to EUR 545 million and the number of employees to approximately 4,300.

The company's shares are quoted on the NASDAQ OMX Helsinki.

CONTENTS

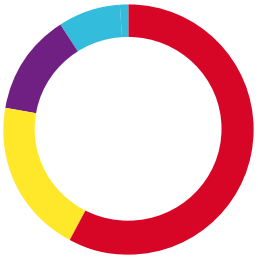
Sales by market area

- Germany 19%
- Sweden 18%
- Turkey 14%
- UK 10%
- Finland 8%
- Benelux 8%
- France 7%
- Italy 6%
- Other European countries 4%
- USA 4%
- Other countries 2%

Sales by customer industry

- Heavy trucks 28%
- Construction and mining 23%
- Machine building 19%
- Agricultural machinery 15%
- Automotive 15%

Personnel by country



- Turkey 58%
- Finland 20%
- Netherlands 13%
- Sweden 9%

Componenta operations by segment 2012 (M EUR)

	Net sales *)	Share of net sales	Operating profit**)	Order book
Turkey operations	259.9	44%	14.5	39.9
Finland operations	100.7	17%	1.1	13.8
Holland operations	101.8	18%	-5.2	14.7
Sweden operations	126.1	21%	-1.0	21.8

*) Excluding other business and internal eliminations
**) Excluding one-time items

Key Figures

	2012	2011
Order book, MEUR	**82.9 *)**	99.5 **)
Net Sales, MEUR	**544.8**	576.4
Operating profit, excluding one-time items, MEUR	**10.0**	29.8
% of net sales	**1.8**	5.2
Result after financial items, excluding one-time items, MEUR	**-17.6**	3.9
Return on investment, excluding one-time items, %	**4.0**	10.2
Return on equity, excluding one-time items, %	**-24.8**	5.1
Equity ratio, preferred capital notes in equity, %	**23.2**	17.5
Interest bearing net debt, preferred capital notes in equity, MEUR	**213.0**	207.5
Net gearing, preferred capital notes in equity, %	**199.6**	271.2
Earnings/share, excluding one-time items, EUR	**-0.92**	0.09
Equity per share, EUR	**3.36**	1.93
Dividend per share, EUR	**0.00 ***)**	0.00
Investment in production facilities, MEUR	**19.2**	21.8
Number of personnel at end of year, including leased personnel	**4 277**	4 665
Capacity utilization rate, %	**63**	68
Energy consumption, GWh	**695**	747

*) Order book on 13 January 2013 **) Order book on 12 January 2012 ***) Board proposal

COMPONENTA'S YEAR 2012

We focused on improving profitability and ensuring our competitiveness, while also adapting our operations to lower volumes. Result-wise, the past year did not meet expectations.

The year 2012 started in a difficult economic situation with uncertainty in the financial markets caused by the European debt crisis. During the spring we saw some improvement, but in the late summer and early autumn demand took a strong turn for the worse. Componenta's order book declined significantly, and we had to adapt our production and personnel correspondingly.

In October, we launched a structural efficiency programme covering the entire Group in order to improve profitability and increase competitiveness. The efficiency programme will run until 2014 and aims to reduce our structural costs by a total of EUR 25 million annually.

Componenta's net sales fell by 5% from the previous year, and the operational result remained weak. In addition to lower volumes, the result was also deteriorated by the development of the Turkish lira and Turkey's faster cost inflation compared with eurozone inflation, as well as productivity issues in Turkey, Holland and Sweden. During the year, we completed two major financial negotiations leading to the rearrangement of Componenta's long-term financing. In March, we signed an extension to our previous syndicated credit facility of EUR 164 million. The credit facility was repaid over the summer, and in October it was replaced with a new syndicated credit facility of EUR 90 million, which is expected to cut the Group's financial expenses in the long term. The Group's net financial expenses were extraordinarily high in 2012 due to the said financing arrangements.

Towards the end of the year, we renewed the Group's operational structure in order to support the execution of the efficiency programme and to correspond to the slow growth in our operational environment. In the new structure, business units are divided into operational divisions instead of the previous country-based organization. This improves our ability to effectively allocate our resources to the development of each function – casting, machining and aluminium production – and to benefit from the synergies within each division. After the change, we are also able to focus on serving our growing and/or new business areas more effectively.

"Long customer relationships are the foundation of our operations"

In the midst of various challenges presented by our operational environment, we continued to work towards our strategic goals. We want to increase the share of our services in our customers' value chains and provide them with high-quality components and casting solutions involving engineering and logistics services. For this purpose, we centralised and strengthened our customer service, developed and trained our sales and engineering talents, and expanded our presence to a new and intriguing market area, Russia. We started to manufacture cast components from the new SSF material. With the new nodular cast iron, which has a high silicon content, we are able to improve the properties of our products, particularly with regard to elongation and machinability. During the past year, we have had several interesting projects with our customers. The creation and maintenance of long customer relationships is the foundation of our operations, as casting solutions require close engineering cooperation with the customer from the outset.

Matters related to sustainability - economic, social and environmental responsibility - are important to us, our customers and other stakeholders alike. We know and bear our responsibilities in our daily operations, in good times and when we are facing challenges. The key measures taken and results achieved in the different areas of sustainability in 2012 are reported as part of the present Annual Report, and related development measures will be continued in 2013.

Even though many of the earlier uncertainty factors have decreased by the beginning of 2013, the development of the economy remains challenging to predict. While some economic indicators predict positive development, the preconditions for initiating and sustaining growth, particularly in Europe, are virtually non-existent. However, I personally believe that the economy will slowly and gradually pick up in 2013. Regardless of the development of the environment, we at Componenta will continue the measures initiated in order to ensure our profitability and competitiveness.

I would like to express my sincere gratitude to our personnel, customers and owners for their solid cooperation and commitment in the challenging year of 2012.

Heikki Lehtonen
President and CEO

OUR VALUES ARE OPENNESS, HONESTY AND RESPECT

Componenta's values Openness, Honesty and Respect provide a strong foundation for daily operations and cooperation with stakeholders.

Openness means that we are open to new ideas and to change and that we are willing to develop. Through this, we look to continually improve our ways of working.

Honesty is about being sincere with ourselves and with each other: we do what we promise.

Respect means that our cooperation with all stakeholders is based on trust and mutual respect.

IMPLEMENTATION OF STRATEGY STARTS WITH SERVICE

In our operations, we combine the versatile engineering and production of cast components in order to provide innovative casting solutions for our customers. We want to be their preferred casting solutions provider.

Componenta excels in cast components, casting and machining. We operate both globally and locally as One Componenta with strong values, common ways of operating and underlying principles of sustainable development regardless of country or location. From start to finish, we provide our customers with the casting solutions they need, as ready-made components. We exist for our customers, contributing to their success and growing with them.

MISSION STATEMENT

Our mission is Casting Future Solutions. Our approach is based on customer needs. We offer solid expertise in component engineering, materials and manufacturing to leading operators and product developers in different industrial sectors. Our customers benefit from our ability to balance our operations and services in different parts of the value chain. We are also actively shaping the traditional ways of operating in the foundry industry as it evolves towards new generation vehicles and machinery.

VISION

Componenta's vision is to be the preferred casting solutions provider, both locally and globally.

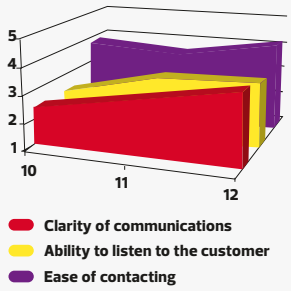
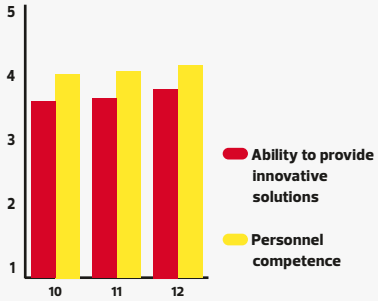
To realize our vision we

- grow and operate together as One Componenta offering the best customer experiences
- excel in delivery certainty, quality and cost-efficiency
- boost solution selling

PREFERRED CASTING SOLUTIONS PROVIDER 2015

We provide our customers with services that cover the complete cast component supply chain. Each customer is assigned a customer service team that ensures the engineering and timely delivery of the best possible casting solution for the customer. The principles of sustainable development are taken into account early on in the engineering process and through the various stages of production. We cast future solutions today!

STRATEGIC GOALS AND KEY MEASURES IN 2012

Goal	Measures in 2012	Results from measures
We grow and operate together as One Componenta	• Expanding the SAP Enterprise Resource Planning (ERP) system to Turkey. • Harmonising and improving the reporting practices. • Streamlining the flow of information with the new intranet, email system and collaboration tools. • Investigating the working atmosphere among white-collar employees with the Pulse survey. • Revamping the Group's structure and organization in order to boost operations and clarify management.	91% of white-collar employees are committed to Componenta's strategy 95% of white-collar employees completely agree or somewhat agree that their input is important for the company's success
We offer the best customer experience	• Developing and expanding customer service; training sales personnel and opening an office in Russia. • Combining sales, product development, engineering and supply chain management into one customer service entity. • Introducing the centralised model in sales support functions in Finland. • Renewing customer segmentation. • Conducting a customer satisfaction survey.	**Improved customer ratings** 
We excel in delivery certainty, quality and cost-efficiency	• Efficiency projects aiming to improve productivity and profitability in Finland, Turkey, the Netherlands and Sweden. • Developing reporting on production and delivery certainty. • Harmonising the quality management systems under one Multi-Site quality certification. • Developing the logistics warehouse operating model. • Improving quality with the Lean Six Sigma tools.	In November 2012, Caterpillar awarded Componenta Främmestad the Supplier Quality Excellence Program (SQEP) certification for meeting and sustaining high quality and delivery performance standards.
We boost solutions selling	• Developing engineering functions in Orhangazi, Turkey. • Increasing know-how in the product development, engineering and customer segments. • Developing the sales process. • Training sales personnel in order to reinforce their solutions selling skills. • Adopting the new operating model in logistics in order to diversify our service portfolio.	**Customers trust our expertise** 

2012, YEAR OF CHANGE

Consolidated net sales of Componenta Dökümcülük A.Ş. had dropped to 265.6 MEUR in 2012 from 281.8 MEUR in 2011. Of the 5.7% decline in sales, 4% is resulted from shrinking business of the Manisa Aluminium Casting Business Unit which has major activities within the automotive sector, and the remaining from the business of the Wheel Business Unit.

Total number of personnel has dropped to 263 white-collar and 2,216 blue-collar (including leased) personnel in 2012, from 265 white-collar and 2,277 blue-collar (including leased) personnel in 2012. The net decrease in employment is 63 employees, representing 2.5% of the total.

Componenta Turkey consists of 4 business units; an Iron Foundry and a Machine Shop in Orhangazi, an Aluminium Foundry and a Wheels Unit in Manisa, and additional a 100% owned subsidiary carrying out commercial activities in United Kingdom, namely Componenta UK.

Compared to 2011, share of automotive customer sector in total sales had dropped from 35% to 30% in 2012, where share of agriculture had risen from 15% to 20%. In addition, share of machine building and heavy trucks had been unchanged with shares 32% and 15% respectively. Share of Orhangazi Business Units had increased from 68% to 72%, with also the help of intergroup product transfer.

ORHANGAZI FOUNDRY

This Business unit, which is Group's largest iron foundry, realized a sales of 112,309 tons in 2012 as compared to sales of 117,586 tons in 2011. Accordingly, sales turnover was 186.4 MEUR in 2012.

In 2012, due to positive developments in the economy in the first and the second quarters, Orhangazi Foundry has developed its turnover, then the decline in the third and fourth quarters in line with the negative trend in the economy caused a negative impact on sales and the produced volumes. Additional impacts were the increase in the energy and the raw material costs.

The new organization starting from 1st of November, together with the Top Management changes were the outstanding events in 2012 whereas Orhangazi Foundry belongs to "Group Iron Division", and the production lines have been divided as Group 1 and 2 with the strategy of "Load Balancing" in each group. SAP implementation was in use starting from June 2012.

In 2013, with the new way of working in production departments, the improvement projects are in use and targeting especially better productivity and quality in order to reduce the costs and to have better work flow. The positive impact from the projects is expected after March 2013. Additionally, the orderbook is expected to increase gradually, and positive trend is expected to continue after the summer period.

ORHANGAZI MACHINE SHOP

As of 2012 year-end, total installed capacity of Orhangazi Machine Shop Unit has increased by 10% by completing the new machines investment and reached to 214,000 machine-hours/year.

Taking into consideration the 3,200m^2 planned new machine shop building investment with new machine installations, total installed capacity is expected to reach up to 250,000 machine-hours/year.

As of 2012 year-end the Honing Machine investment has been completed and the high precision compressor blocks will be provided to our customers with honing operation capabilities.

Total internal and external machine-hours have increased 26% by sustainable growth and

reached from 126,000 machine-hours to 159,000 machine-hours. 2012 year-end Machine Shop's turnover finalized as 39 MEUR.

As all year effect in 2013, the new products granted by our customers' new projects are expected to generate additional sales of 15.7 MEUR.

The Machine Shop Facility will continue its growth with high product and service quality in machining of technically complex products with the new extension machine building and new machines at 2013 year-end.

Considering the capabilities and increasing customer trend to outsource more, the calculated upside potential of Orhangazi Machine Shop is estimated to be very high.

MANISA ALUMINIUM COMPONENTS

2012 was a notable year with important organizational changes and preserved profitability levels despite decreasing sales.

Manisa Business Units, previously part of Componenta Turkey, became Aluminium Division in the new structure as of November 2012. Aiming at supporting the growth strategy in aluminium market, together with this organizational change, the sales organization of aluminium components business unit had been linked to Manisa Aluminium Division. This restructuring both improved offering processes, pricing practices and understanding of the customer requirements, and enhanced the overall sales activities. Positive feedback on offers, and new relationships created during the last quarter had given the signals for more active sales activities already in 2013.

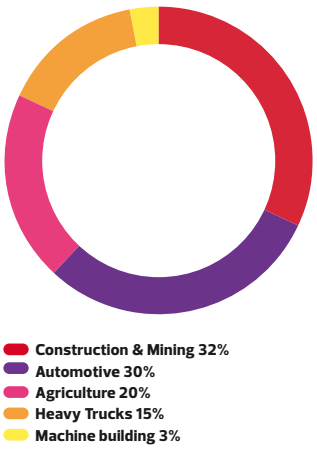
Aluminium Die Casting Business Unit sales decreased in 2012 by 28% compared to 2011, but profitability was unaffected. Sales in 2012 were 5,669 tons, compared to 7,853 tons in 2011. Ramp down of projects in serial production and delay in the launch of new engine projects had resulted in the shrinkage of the tonnage. Keeping those aside, it was encountered, that drop in automotive registrations in Euro zone due to the economic crisis had negatively affected the sales. However, improvements in production and purchasing processes and optimization in workforce helped the business unit recover with minimum effect.

2012 was a year for the launch of new parts, and production of pre-serial parts. Especially, together with high volume steering system parts, truck parts were introduced. 2013 sales has been budgeted with slight increase reaching above 6,000 tons.

Construction of the auxiliary buildings for the new aluminium foundry had been finalized in 2012, and the plan is to realize the foundry building construction during the upcoming period depending on the economic environment.

Componenta in Turkey
Sales & Operating Profit, MTRY

Sales by
customer Industry 2012, %



MANISA WHEELS BUSINESS UNIT

Following record sales of 1.2 million wheels in 2011, 2012 sales had been affected by the shrinking market due to crisis in the Euro zone, and reached 1.12 million wheels in 2012, generating 41 MEUR, with 92% for the export markets.

The Wheels Business Unit kept its competitiveness with the successful management practices and lean and flexible production in the unstable global market. By effectively managing the workforce and the working capital, the business unit succeeded in reaching positive business results.

In the last two years, the main target for Wheels Business Unit was to fully utilize the available 1.5 million capacity, which was generated after investments, with the increasing customer portfolio. Following the latest changes in the organization, the team is motivated for the target of new record sales in the near future.

With the introduction of new models, 2013 is expected to be a year of focus on activities to improve processes and to increase profitability.

2013, IMPROVEMENT IN ALL PROCESSES

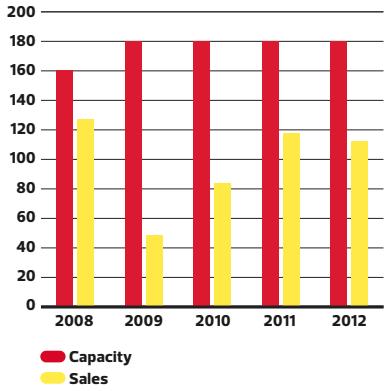
In all business units, despite decreasing volumes, activities continued in improving productivity and enhancing quality levels in 2012, and all the Turkish operations, after restructuring, will continue generating further competitive solutions with the increasing sales expectations.

High quality and delivery performance levels will be the most competitive areas for Componenta, as they used to be.

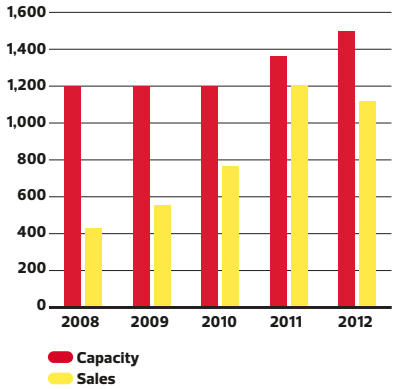
I would like to express my sincere gratitude to our customers, shareholders and personnel for their solid cooperation and commitment during the challenging year of 2012.

Sabri ÖZDOĞAN
Managing Director

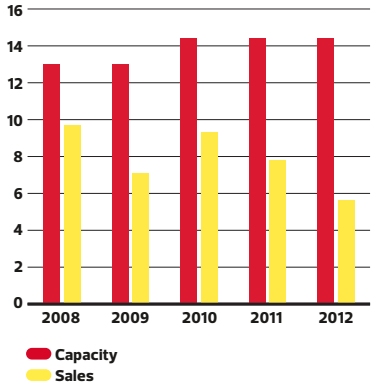
Orhangazi Foundry Business Unit Capacity & Sales, 1,000 tons



Manisa Aluminium Wheels Production Business Unit Capacity & Sales, 1,000 units



Manisa Aluminium Die Casting Plant Capacity & Sales, 1,000 tons



CUSTOMER PROFILE

Customer Industries

CONSTRUCTION & MINING

Customers in the Construction & Mining industry include manufacturers of forklifts combine harvesters, excavators, back-hoe loaders and dumpers to whom Componenta supplies various components for engines, power transmissions, drives and chassis. Customers in Construction and Mining segment are Caterpillar, JCB, Volco Construction Equipment (VCE), Carraro Drive Tech.

HEAVY TRUCKS

For the heavy truck industry Componenta manufactures ready-to-install components used in the chassis, engine, axles, transmissions and brakes. The company offers customers all parts of the supply chain, from product engineering and manufacturing to surface treatment/painting and pre-assembly.

Customers in Heavy Trucks segment are Iveco, Ford Otosan, Daimler, MAN, Scania, Volvo, Renault Trucks .

AUTOMOTIVE

The Group supplies automotive industry, including manufacturers of passanger cars and light vehicles, with a wide range of different iron and aluminium cast components and aluminium wheels. The Manisa Wheels Business Unit of Componenta in Turkey manufactures wheels under the trademarks DJ Wheels and MAXX Wheels, supplying to After Market .

Customers in Automotive segment are Tofaş, Ford Otosan, Ford of Europe, Renault, PSA, Dana UK, ATU, Borbet Wheels, OZ Wheels, R.O.D Wheels.

AGRICULTURE

Customers are manufacturers of tractors, forest machines, combine harvesters. Componenta supplies various components for engines, power transmissions, drives and chassis. Customers in Agriculture segment are TTF, New Holland, AGCO Group, Claas, Valtra, Gima and Alçelik.

MACHINE BUILDING

For the machine building industry the Group manufactures various machine and equipment parts such as rope and travel wheels, housings and castings, gearwheels and frames. The components supplied are often of strategic importance to customers, such as parts used in elevators and robots, various crane and hoist components, and demanding cast products for pumps, stone crushers and hydraulic motors. Customers in Machine Building segment are ABB, Kone, Atlas Copco, Ingersoll Rand, MCFE.

SHARE STRUCTURE AND AFFILIATES

CAPITAL STRUCTURE AND DISTRIBUTION

Our company's registered share capital as at 31.12.2012 was 250.000.000 TRY, the issued share capital was 66,844,800 TRY.

Existing 66.844.800.-TRY 'names of the shareholders who own more than 10% of paid-in capital, share capital amounts and ratios are as follows:

DISTURIBUTION OF THE SHARE CAPITAL

	Share %	Share (unit)
Componenta Corporation	93.57%	62,543,860
Held by Public	6.43%	4,300,940
	100.00%	66,844,800

AFFILIATES

Our company owns 100% of Componenta UK shares. Componenta UK is located in England and it is a trading company.

Our company holds 25.10% of Kumsan Döküm Malzemeleri San. A.Ş. shares. Kumsan is a sand supplier to our company.

AFFILIATES

TITLE	FIELD OF OPERATION	CAPITAL	SHARE, %
Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş./Turkey	Foundry sand production and trading	600,000	25.1%
Componenta UK limited / England	Import & Export Trading	287,850	100%

HUMAN RESOURCES

Related to decrease in production, number of employees has been decreased. By the end of 2012, the number of personnel employed in Componenta UK one of our affiliates is 12 persons.

Personnel and labor movements in relation to collective bargaining practices; company affiliated with the Metal Industries Association of Turkey to the collective bargaining agreement between the Turkish Metal Union 9.1.2010 / 31.8.2012 for the period. Negotiations are ongoing for the new agreement period.

COMPONENTA DÖKÜMCÜLÜK A.Ş. PERSONNEL NUMBERS

	2008	2009	2010	2011	2012
Blue-collar	1,279	947	1,156	1,462	1,501
White-collar	166	157	166	191	198
Leased	64	54	105	125	92
Orhangazi	**1,509**	**1,158**	**1,427**	**1,778**	**1,791**
Blue-collar	464	476	674	660	599
White-collar	72	68	74	74	65
Leased	8	9	104	30	10
Manisa	**544**	**553**	**852**	**764**	**674**
Total (Turkey)	**2,053**	**1,711**	**2,279**	**2,542**	**2,465**

BOARD OF DIRECTORS AND ADMINISTRATION

COMPONENTA A.S. BOARD OF DIRECTORS AND AUDITORS

Heikki LEHTONEN
Chairman of Board

Harri SAUKKOMAA
Vice Chairman of Board

Mika HASSINEN
Member of Board

Tezcan YARAMANCI
Member of Board

Hakan Sadık GÖRAL
Member of Board

Adil Giray ÖZTOPRAK
Auditor

Ayşegül Eder UYANIKDENİZ
Auditor

COMPONENTA A.Ş ADMINISTRATION

Sabri ÖZDOĞAN
Managing Director and Senior Vice President, Aluminium Division

Ömer Lütfi ERTEN
Vice President of Orhangazi Foundry

Sibel BİNİCİ
Treasury Director

Ali Alper ÇELTEK
Human Resources Director

Seyfi DEĞİRMENCİ
Product Development Director

Uğur DEMİRCİ
Sourcing Director

Mehmet KIZILAY
Assistant Director of Orhangazi Machine Shop

Güngör ÇETİN
Assistant Director of Aluminium Casting Business Unit

Önder SÖNMEZ
Assistant Director of Aluminium Wheels Business Unit

AGENDA OF THE 41ST ORDINARY GENERAL ASSEMBLY OF COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ ANONİM ŞİRKETİ TO BE CONVENED ON 18 MARCH 2013

1) Opening and appointment of meeting president;
2) Appointment of one clerk and two vote collectors by the meeting president;
3) Discussing the internal regulation on convention of general assembly meetings prepared by the Board of Directors and accepting, amending or rejecting the same;
4) Reading and discussing the Board of Directors' and auditors reports regarding the activities and accounts of the Company for the year 2012, accepting, amending or rejecting the Board of Director's suggestion regarding Balance Sheet and Income Statement for the year 2012;
5) Release of members of the Board of Directors and auditors regarding their activities for the year 2012;
6) Approving, amending or rejecting Board of Director's proposal related to distribution of 2012 profit and the distribution date;
7) Voting for the amendment of the following articles of the articles of association: Article 6 with the title "Registered and Issued Share Capital"; Article 7 with the title "Registered and Issued Share Capital"; Article 8 with the title "Board of Directors", Article 10 with the title "Management and Representation"; Article 11 with the title "Authority and Duties of the Board of Directors", Article 13 with the title "Statutory Auditors"; Article 14 with the title "Authority and Duties of the Statutory Auditors"; Article 15 with the title "Responsibility of the Statutory Auditors"; Article 16 with the title "Attendance to Meetings"; Article 17 with the title "Remuneration"; Article 18 with the title "General Assembly Meeting", Article 20 with the title "Announcement and Notification", Article 21 with the title "Attendance Documents"; Article 23 with the title "Meeting Council"; Article 24 with the title "Quorum"; Article 25 with the title "Minutes of Meeting"; Article 26 with the title "Duties of the General Assembly"; Article 27 with the title "Commissar", Article 30 with the title "Delivery of the Minutes and Annexes to the Ministry and Capital Markets Board", Article 31 with the title "Announcements"; Article 34 with the title "Distribution of Profit"; Article 35 with the title "Issuance of Bond, Profit Sharing Notes and Commercial Paper" and Article 36 with the title "Foundation for the Company Personnel";
8) Determining the number and office term of the members of the Board of Directors, appointing the members of the Board of Directors, determining the independent members of the board of directors,
9) Determining the "Remuneration Policy" for the members of the Board of Directors and executive managers pursuant to the corporate governance principles,
10) Determining the monthly gross salaries of members of the Board of Directors and the independent members of the Board of Directors,
11) Approving the selection by the Board of Directors of the independent audit company based on the suggestion of the Audit Committee pursuant to the Communique regarding the Independent Audit Standards in Capital Markets published by the Capital Markets Board,
12) Release of Shareholders who hold management control, board members, executive managers and their spouse and relatives up to second degree for engaging in transactions or competing with the Company or its subsidiaries which will result in conflict of interest pursuant to article 395 and 396 of the Turkish Commercial Code and the corporate governance principles published by the Capital Markets Board; informing the General Assembly regarding such transactions which were carried out within the year,
13) Informing the General Assembly regarding the related party transactions which were carried out in 2012 in accordance with the Capital Markets Board's regulations,
14) Informing the shareholders regarding income and benefits from and the security, pledge and mortgages which have been established in favor of third persons in accordance with the Capital Markets Board's regulations,
15) Informing the General Assembly regarding the "Profit Distribution Policy" of the Company for the year 2013 and the following years,
16) Authorizing the Board of Directors for advance distribution of profit in 2013 in accordance with the Capital Markets Law;
17) Informing the General Assembly regarding the donations and benefits provided to the charities and organizations by the Company for social support purposes within the year 2012,
18) Authorization of the meeting presidency to sign the meeting minutes,
19) Wishes and closing.

BOARD REPORT SUBMITTED IN COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.'S

41ST GENERAL ASSEMBLY OF SHAREHOLDERS MEETING DATED 18 MARCH 2013

DEAR SHAREHOLDERS,

Welcome to the Ordinary General Assembly in which Componenta Dökümcülük A.Ş.'s financial statements and operations concerning fiscal year 2012 will be discussed.

We thank you for the interest you have shown and greet you all respectfully.

VIEW OF THE SECTOR IN YEAR 2012

As a result of tight fiscal and financial adjustment policies in Europe, 2012 was a difficult year.

In 2011,Turkey's economy grew up 8.5% compared to previous year. In 2012, the increase was 2.7% compared to previous year.

In 2012, compared to previous year, 10% of automobile production, 10% of commercial vehicle production, 7% of tractor production showed a decrease. In spite of this 31% minibus production, 18% midibus production showed an increase.

The level of total vehicle production decreased by 10% in 2012.

In 2012, Main Industry Exports decreased by 9% and Side Industry Exports decreased by 2% compared to previous year.

VIEW OF ECONOMY 2012

Industrial production price index decreased by 3,8% compared to previous year. The ultimate decrease in industrial production has occurred in electricity, mining and quarries by 10,3%.

As of December 2012, realized consumer price index (TÜFE) was 6.16% and realized producer price index (ÜFE) was 2.45%.

Within the scope of Central Bank of Turkey, the realized overnight interest rate was around 5% in 2012.

USD with the buying rate of 1.8889 TRY (Central Bank of Turkey), at the end of 2011, completed the 2012 year end at the rate of 1.7826 TRY, decreased 5.63% compared to 2011.

EUR with the buying rate of 2.4438 TRY (Central Bank of Turkey), at the end of 2011, completed the 2012 year end at the rate of 2.3517 TRY, decreased 3.77% compared to 2011.

Orhangazi Foundry and Machine Shop Business Units;

In comparison with 2011, 2012 Sales tonnage in Orhangazi Foundry decreased from 117,586 tons to 112,309 tons or by 4.49%.

In comparison with 2011, 2012 Sales turnover in Orhangazi Business Units decreased from 448.7 MTRY to 443.5 MTRY or by 1%.

Manisa Aluminium Die Casting Business Unit;

In comparison with 2011, 2012 Sales tonnage in Manisa Aluminium Die Casting decreased from 7.853 tons to 5.669 tons or by 27.8%.

In comparison with 2011, 2012 Sales turnover in Manisa Aluminium Die Casting decreased from 100.4 MTRY to 74.5 MTRY or by 25.9%.

Manisa Aluminium Wheels Business Unit;

In comparison with 2011, 2012 Sales volume decreased from 1,204.057 units to 1,120.698 units or by 6.9%.

In comparison with 2011, 2012 Sales turnover in Manisa Aluminium Wheels Business Unit decreased from 105.5 MTRY to 94.9 MTRY or by 10%.

EXPORT AND IMPORT OPERATIONS

Export operations which were 192.8 MEUR in 2011, realized as 182.3 MEUR in 2012 a decrease by 5.45%.

2012 Import volumes decreased from 63 MEUR to 45.4 MEUR compared to 2011.

	2012	2011	2010	2009	2008
ORHANGAZI FOUNDRY VE MACHINE SHOPS BUSINESS UNIT					
Capacity (tons)	**180,000**	180,000	180,000	180,000	160,000
Production (tons)	**116,070**	119,856	85,890	45,670	121,847
Sales (tons)	**112,309**	117,586	83,770	48,326	120,669
Sales (MTRY)	**443.5**	448.7	260.2	154.3	347.4
Operating profit (MTRY)	**7.5**	30.4	11.6	-9.8	24.6
MANISA ALUMINIUM DIE CASTING PLANT					
Capacity (tons)	**14,400**	14,400	14,400	13,000	13,000
Production (tons)	**5,713**	7,760	9,346	6,828	9,753
Sales (tons)	**5,669**	7,853	9,310	7,121	9,656
Sales (MTRY)	**74.5**	100.4	97.3	70.0	99.7
Operating profit (MTRY)	**9.1**	13.1	10.7	7.5	9.9
MANISA ALUMINIUM WHEELS PRODUCTION BUSINESS UNIT					
Capacity (tons)	**1,560,000**	1,365,000	1,200,000	1,200,000	1,200,000
Production (tons)	**1,111,585**	1,208,542	780,235	532,346	428,264
Sales (tons)	**1,120,698**	1,204,057	765,929	557,084	431,508
Sales (MTRY)	**95.0**	105.5	54.2	35.5	28.2
Operating profit (MTRY)	**11.1**	17.8	6.7	3.7	-0.9
COMPONENTA DÖKÜMCÜLÜK A.Ş. TOTAL					
Sales (MTRY)	**612.9**	654.6	411.7	259.9	475.4
Operating profit (MTRY)	**30.8**	60.5	28.3	0.8	29.7
EXPORT SALES					
Export M EUR	**182.3**	192.8	135.2	69.5	160.2
INVESTMENTS					
Investments M EUR	**12.1**	13.2	5.2	4.9	23.2

INVESTMENTS

In 2012, Investment amount was 5.5 MEUR for Orhangazi Foundry and 2.3 MEUR for Machine Shop business Unit. These investments were made for capacity increase and maintenance purposes.

Investment amount was 0.8 MEUR for Wheels Business Unit and 3.4 MEUR for Aluminium Die Casting Business Unit. These investments were made for capacity increase and maintenance purposes.

Total capital expenditure was 12.1 MEUR in 2012.

FINANCIAL RESULTS

Consolidated operating results of our company for 2012 have been prepared in line with Capital Market Law, The Notification Series XI, No: 29 and in accordance with the International Financial Reporting Standards.

In comparison with 2011, our sales turnover decreased by 6.3%. Our actual net sales have been 612,933.966 TRY, and our actual gross margin has been 118,316,748 TRY (2011: 153,817,095 TRY), whereas Operating profit has been realized as 30,763,429 TRY (2011: 60,363,785 TRY) a decrease of 48.4% in comparison with the previous year.

Reference to IFRS conclusions of 2012, the reserved depreciation expense has been for 13,809.995 TRY and Profit Before Taxes realized as 19,068.239 TRY. This figure was 53,233.027 TRY in 2011.

As a result of the recession trends in the markets, Profit after Taxes was realized 14,839,399 TRY in 2012 which was 42,052,337 TRY in 2011.

According to Turkish Commercial Code and Articles of Association, the Board of Directors proposes to the Ordinary General Assembly to pay a dividend of 40,106.880 TRY, through to capital of 66,844,800 TRY

238,237 TRY	from Gain from Previous Years,
658,590 TRY	from Extraordinary Reserves
30,560,711 TRY	from Distributable Extraordinary Reserves Inflation Adj.
8,649,342 TRY	from Other Distributable Reserves in accordance with Law and Articles of Incorporation

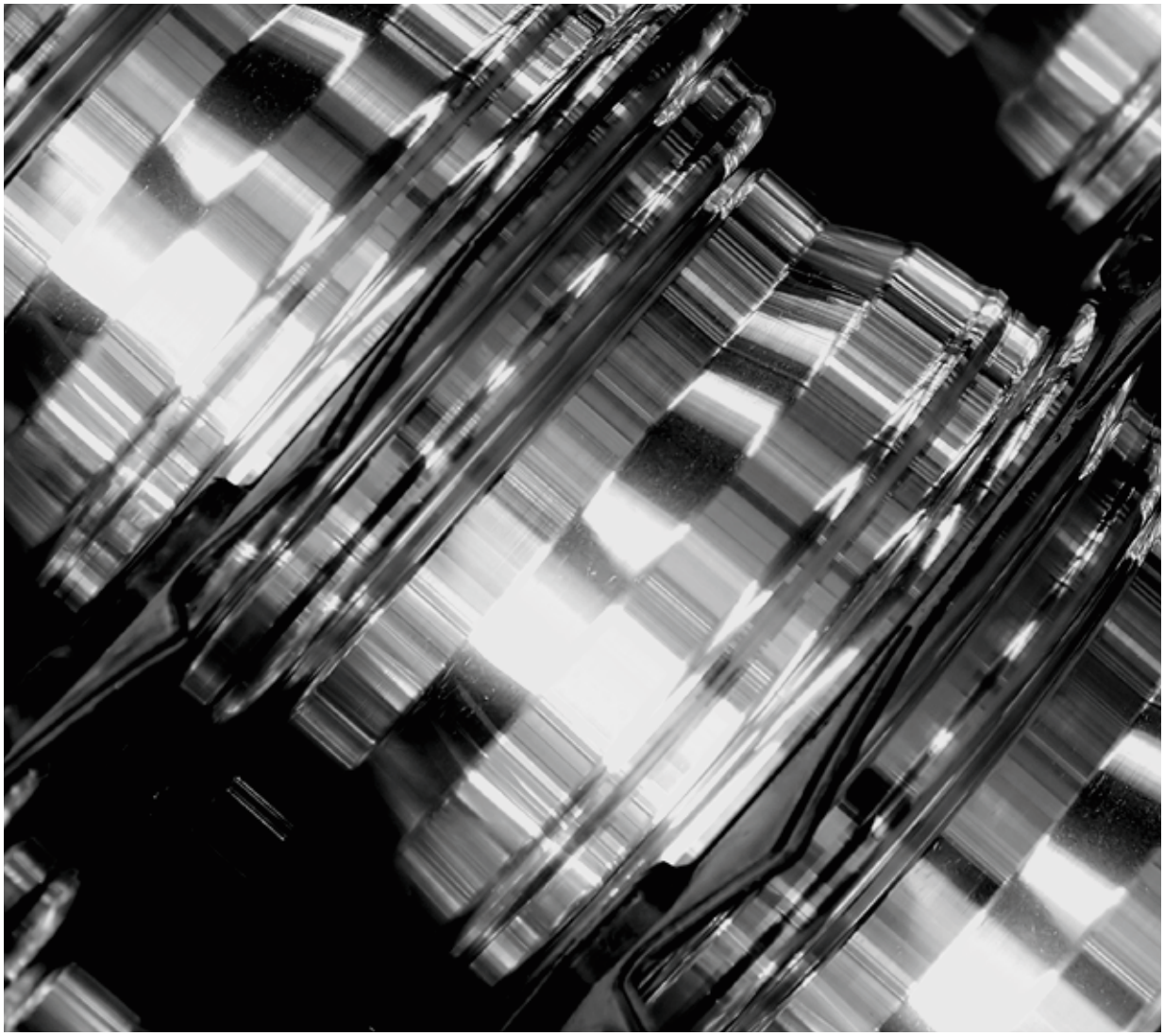
To pay TRY 0,60 gross =net cash dividend per each share certificate with a nominal value of TRY 1 in a ratio of 60% to our shareholders who are full-fledged taxpayer corporations and foreign-based taxpayers who generate profits through their workplaces or permanents representatives in Turkey, to pay TRY 0,6000 gross = TRY 0,5661 net cash dividend per each share certificate with a nominal value of TRY 1 in ratio of 60% gross = 56,61% to our remaining shareholders and to set the dividend distribution commencement date on 21 March 2013 and mentioned proposals to be submitted for approval of the General Assembly.

Dear Shareholders, we have now summarized the financial consequences of operations of 2012 to your kind attention.

In order to develop our profitability and competitiveness , we will proceed on our way with measures we decided in 2012.

Hoping that upcoming years will be auspicious both for our country and company, we provide you with the Balance Sheet and Income Statement and greet your Honorable Committee respectfully.

Heikki Lehtonen
Chairman of the Board of Directors
Componenta Dökümcülük A.S.



CORPORATE GOVERNANCE POLICY

1. Report for Compliance with Corporate Governance Principles

Implementation and realization of the "Corporate Governance Principles" which have been adopted by The Capital Market Board by virtue of the decree dated 04.07.2003 and number 35/835, and which have been declared to the public in July 2003 is of paramount importance for the credibility and financing facilities of public companies. The said principles that demonstrate the corporate governance quality have been adopted by our company, and are partially implemented. Other principles that are required to be implemented in parallel with this arrangement will be put into practice following the completion of administrative and technical infrastructure activities.

Pursuant to meeting decree of the Capital Market Board dated 10.12.2004 and number 48/1588, beginning with the year 2004 activity reports of the companies dealt in the Istanbul Stock Exchange, it was found proper that the declarations of the companies as to compliance with the Corporate Governance Principles be included in their activity reports and Web Sites. Accordingly, Componenta Dökümcülük Ticaret ve Sanayi A.Ş. has inserted the following information about compliance with the principles to 2012 Annual Report.

SECTION I – SHAREHOLDERS

2. Shareholders Relations Unit

Relations with the shareholders at Componenta Dökümcülük Ticaret ve Sanayi A.Ş. are carried out by the responsible unit established under the Treasury Department. This unit is managed by Sibel BİNİCİ, the Treasury Director (sibel.binici@componenta.com / 02245734263). The person in charge of the unit is Yıldıray DOMAÇ, the Shareholders Relation Officer (yildiray.domac@componenta.com / 02245734263-282).

The activities of the Unit are mainly as follows:

- Promotion of our company to the private and institutional investors; and informing the potential investors and shareholders,
- Responding information requests of the undergraduate, graduate students and the lecturers of the universities making researches on our company and the sector,
- Holding the general assembly meeting of our company, preparing of the documents that may be useful for shareholders, and submitting the minutes to the persons requesting to do so,
- Informing our shareholders,
- Submitting Material Disclosures to Istanbul Stock Exchange and Capital Market Board in accordance with the communiqué of Capital Market Board Series VIII, No. 39,
- Making preparation for meeting prior to General Assembly, preparing the respective documentation, and obtaining the preliminary permits for amendment of the articles of association and presenting the same to General Assembly for approval,
- Following up the amendments in the legislation concerning the Capital Market Law, and informing the respective units of the company about such amendments.

3. Exercise of Shareholders' Right to Obtain Information

All shareholders are treated equally under Componenta Dökümcülük Ticaret ve Sanayi A.Ş. in exercise of right to obtain and review information.

In order to expand the rights of the shareholders to obtain information, any and all information that may affect the exercise of the rights is presented to the shareholders in electronic medium in updated form. During the period, a few calls were received from the shareholders for demanding information. Such demands are, in general, related to attendance in the general meeting, distribution of free shares, dividend payments, and the withholding tax payments. All questions asked were answered in writing or verbally. The company's web site (www.componenta.com) contains most of the following information along with the financial statements:

KAP (Public Disclosure Project) system that is carried out by Tübitak-Bilten has been established under the Company, and the notices are sent from our company to the Istanbul Stock Exchange using electronic signature as well.

Also, an important step was taken to monitor the shares by completion of the membership procedures for Central Registration Agency that was established to monitor the capital market instruments.

- Articles of association of the company
- Declarations on the date of the General Assembly, in which it is published, the agenda of such assembly, and topics concerning the agenda
- Minutes of the General Assembly, and list of participants
- Material Disclosures for Capital Market Board
- Proxy form
- Shareholding structure of the company
- Information on members of the Board of Directors and senior management of the company
- Frequently asked questions
- Investor reports

Appointment of a private auditor is set out as an individual right in the articles of association. No request has been received from our shareholders in this regard. The Company's activities are periodically audited by an Independent External Auditor (PriceWaterhouseCoopers) and Auditors are assigned by the General Assembly.

4. Information on General Assembly

Our company has held the Ordinary General Assembly only for once within 2009. In the General Assembly Meeting where the activities of 2009 were discussed and which was held on 22 March 2010, 62.543.859.832 shares were represented among 66.844.800.000 shares constituting the company capital (93.57%). The shareholders of the company have attended in the meetings (by proxy).

Invitations to the General Assembly meeting are made by the Board of Directors as per the provisions of Turkish Commercial Code, Capital Market Law and company's articles of association. Public is informed by notifying the Istanbul Stock Exchange and Capital Market Board immediately after the Board of Directors' decision to hold the General Shareholders' Meeting.

Also, the venue, agenda of the General Assembly meeting, amendment drafts for the articles of association and proxy forms are published in two newspapers circulated in Turkey at least 15 days prior to the General Assembly. This announcement states where the financial statements for the period that have undergone independent audit may be examined.

A shareholder can take the floor in the General Assembly, voice his views about the company activities, ask questions to the company management to demand information, and his question is answered.

Our General Assembly is held under the supervision of a Government Commissioner from the Ministry of Industry and Commerce.

The suggestions put forward by the shareholders of the company holding control interest were taken into consideration in 2010 General Assembly.

The minutes of the General Assembly are available in our web site.

In addition, these minutes are made available to the shareholders for examination purposes at the headquarters of the company.

5. Voting Rights and Minority Rights

No privilege is prescribed in our articles of association for exercise of the voting rights in our company. There is no legal entity which is one of our affiliates among the shareholders.

6. Profit Distribution Policy and Profit Distribution Timing

In respect of profit distribution, a balanced and consistent policy between the interests of the shareholders and company interests is followed in accordance with the Corporate Governance Principles.

Our company's profit distribution process is carried out in accordance with Turkish Commercial Code and Capital Market Board instructions, and within the legal period. In our General Meeting dated 26 April 2012; Dividend amount was TRY 23.395.680; supplied TRY 4.529.197 from the income subject to tax and TRY 18,866,482 from the extraordinary reserves subject to tax pertaining to the period between 1.1.2004 – 31.12.2008. Dividend was paid as TRY 0.35 gross= TRY 0.2975 net cash dividend per each share certificate with a nominal value of TRY 1 in a ratio of 35% gross = 29 .75% to our other remaining shareholders. The dividend distribution realized on 23 May 2012.

7. Transfer of Shares

There are no provisions in the Articles of Association imposing any obstacle for transfer of the shares by the shareholders and restricting the share transfer.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

In line with the public disclosure and transparency principle, our company aims to present the respective parties correct, complete, comprehensible, analyzable, cost-effectively and easily accessible information. It is ensured that any and all information that may be demanded is evaluated, provided that such information is not a commercial secret.

9. Material Disclosures

Material Disclosure is currently made in writing and with electronic signature via Public Disclosure Platform using BIY. The said disclosures are promptly and comprehensively issued to the public within the period set out by the legislation.

In 2010, our company issued 7 material disclosures. Since the company is not listed on any foreign stock exchanges, it is not required to issue any Material Disclosures other than those required by the Capital Market Board and Istanbul Stock Exchange. Since the Material Disclosures are made within the period prescribed by the Law, no sanction was imposed by the Capital Market Board.

10. Web Site of the Company and its Contents

Our company's web site is www.componenta.com.

11. Disclosure of Real Person Ultimate Controlling Shareholder(s)

There is no special case which may affect the investor in disclosure of real person shareholders of the company.

12. Disclosure of Individuals who are in a Position to Have Insider Information

The names of the members of the Board of Directors, auditors and persons in the senior management of the company are included in the activity reports published annually. Any changes that take place during the year are also announced to the public through material disclosures.

As of the date of this report, the persons who could be in such a position to obtain insider information are listed below:

Heikki LEHTONEN	: Chairman of Board
Harri SAUKKOMAA	: Vice Chairman of Board
Mika HASSINEN	: Member of Board
Hakan Sadık GÖRAL	: Member of Board
Tezcan YARAMANCI	: Member of Board
Adil Giray ÖZTOPRAK	: Auditor
Ayşegül Eder UYANIKDENİZ	: Auditor
Sabri ÖZDOĞAN	: Managing Director and Senior Vice President, Aluminium Division
Ömer Lütfi ERTEN	: Vice President of Orhangazi Foundry
Sibel BİNİCİ	: Treasury Director
Ali Alper ÇELTEK	: Human Resources Director
Seyfi DEĞİRMENCİ	: Product Development Director
Uğur DEMİRCİ	: Sourcing Director
Mehmet KIZILAY	: Assistant Director of Orhangazi Machine Shop
Güngör ÇETİN	: Assistant Director of Aluminium Casting Business Unit
Önder SÖNMEZ	: Assistant Director of Aluminium Wheels Business Unit
İbrahim KEYİF	: Assistant Director of Production Group 1
Yusuf ÇAMUR	: Assistant Director of Production Group 2
Alpaslan UZ	: Assistant Director of Production Planning
Fatma Alev ŞENER	: Foundry Controller
Ali DİZYÖRÜR	: Accounting Manager
Meryem CİNDORUK	: Assistant Accounting Manager

In order to establish the balance between transparency and protecting company's interests, utmost importance is given to compliance by the company personnel with the rules related to the use of insider information.

Information that is obtained during working in the Company, that belongs to the Company, that is not desired to be known by anyone other than authorized persons, and that may be characterized as commercial secret, is considered as "Company Information". All employees of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. are responsible for protecting such information during and after their employment in the company, and cannot, directly or indirectly, use Company Information for any other purpose.

SECTION III– STAKEHOLDERS

13. Disclosure to Stakeholders

Stakeholders are informed of issues that may concern them by means of invitations to the meetings or via telecommunication tools, as required.

Our relations with our employees under Collective Bargaining are carried out through union representatives. Our company is a member of MESS (Union of Turkish metal Industrialists) as an employer union, and the blue-collar employees of our company are members of Turkish Metal Union. In December 2008, a Memorandum of Agreement for Collective Labor Bargaining has been signed between MESS and Turkish Metal Union for the period of 01.09.2008 – 31.08.2010.

14. Stakeholders' Participation in the Company Management

The activities carried out for Stakeholders' participation in the management;

The opinion and consent of the workers' trade union are taken and the decisions are made collaboratively for any changes in the practices related to working conditions, environment and the benefits offered to the employees.

15. Human Resources Policy

Within the scope of the human resources policy of our company, the criteria related to personnel recruitment and promotion mechanism are defined in writing. Our purpose in terms of human resources is based on the following principles;

- The right person for the right job
- Equal pay for the equal job
- Merit associated with success
- Equal opportunity for everyone

to constantly improve human resources competences, and to retain our permanent superiority in the global competition environment. Functioning of the human resources systems determined for this purpose is defined with procedures and is notified to all employees.

The satisfaction of the employees is measured using "Satisfaction Survey for Employees" that is conducted every year, and the areas of improvement are determined to take corrective actions.

No representative other than trade union workplace representatives assigned as per Collective Contract has been appointed to carry out the relations with the employees. This function is essentially carried out by the Human Resources Department.

No specific complaint has been received from the employees about discrimination.

16. Information on Customer and Supplier Relations

Any and all precautions and to ensure customer satisfaction in marketing, sales and after sales of our company's goods and services are taken, and practices in this regard are introduced. The requirements regarding the products bought by the customer are met rapidly, and the customer is informed. Guarantees related to quality standards and high quality are ensured. The principles and policies aimed at the suppliers and the satisfaction criteria for the customer-oriented products and services are regularly measured and followed up by the units within the company.

17. Social Responsibility

Activities are regulated according to the corporate social

responsibility and influence on the community within the framework of area where our plant is located and the overall social works aimed at the public. In this context, information as to our activities carried out during the period are available in our website.

PART IV – BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors

There is no segregation of executive and non-executive members in the Board of Directors of our company. Following the General Assembly meetings at which members of Board of Directors are elected, the Chairman and Vice-Chairmen are appointed by way of taking resolution on the division of duties. If any seat in the Board is vacated within the year, provisions of article 315 of Turkish Commercial Code shall apply.

As per articles 334 and 335 of the Turkish Commercial Code the approval of the General Meeting is sought in order for the Chairman and the members of the Board of Directors to perform any business within scope of activities of the Company in person, or on the account of others, and to become shareholders in companies dealing with such business.

19. Qualifications of the Members of the Board of Directors

The Chairman and Members of the Board of Directors are appointed with utmost effectiveness and efficiency. Our Members of Board of Directors have the qualifications prescribed by the Capital Market Board in Corporate Governance Principles, Part 4, articles 3.1.1, 3.1.2, 3.1.3 and 3.1.5. Notwithstanding this, nothing in regard with this matter has been included in the Company's articles of association.

20. Mission, Vision and Strategic Objective of the Company

The mission, vision and values of our company have been created and published, and are revised and modified in line with the developments.

The Senior Management decides on the new year objectives by evaluating the previous year performance in line with review of the annual activities by the Board of Directors, and makes new decisions.

21. Risk Management and Internal Control Mechanism

The management of financial risks in our company is carried out by the Treasury Directorate and financing unit established under the Treasury department. Moreover, it is presented to the senior management by the Financial Controllers in order to form a healthy internal control mechanism.

22. Authorities and Responsibilities of the Members of the Board of Directors and the Managers

The authorities and responsibilities of the members of the Board of Directors have been clearly defined in the Company's Articles of Association. The authorities have been clearly specified in the signature circular of the company.

23. Fundamentals of Activities of the Board of Directors

The agenda of the meetings of Board of Directors is determined by notification of the matters which have been made subject to the decision of the Board of Directors by virtue of the Company's Articles of Association to the senior management and Board of Directors members by the concerned departments. In the event that anyone of the members of the Board of Directors notifies Company Senior Management about a decision that must be taken about a certain matter, the agenda of the meeting is drawn up accordingly.

Matters that are to required to be discussed at the Company's Board of Directors meeting are collected at the Assistant General Director's Office, which consolidates and places them on the agenda.

The Treasury Directorate of Componenta Dökümcülük Ticaret ve Sanayi A.Ş has been assigned for determining the agenda of the meetings of the Board of Directors of Componenta Dökümcülük Ticaret ve Sanayi A.Ş, preparing Board decisions within the scope of the provisions of article 330/II of Turkish Commercial Code, making disclosures to the members of Board of Directors, and ensuring the flow of communication.

The Board of Directors as far as business dictates and in any case, passes resolutions by virtue of the minimum quorum set forth by the Company's articles of association.

Any different opinions and reasons for counter vote, as explained in the Board of Directors, are incorporated in the resolution minutes. Since no opposition or difference of opinion has been declared recently, no public announcement has been made in this regard.

24. Prohibition of Engaging in Transactions and Competing with the Company

No restriction upon engaging in transactions and competing with the company has been imposed on the members of Board of Directors, and such a circumstance is not the case in the current situation.

25. Ethical Rules

Our company has values "openness, honesty and respect" which sets out the ethical rules, and all ethical rules are determined and implemented accordingly.

26. Number, Structure and Independence of the Committees Formed in the Board of Directors

An "Audit Committee" in charge of audit has been formed within our company for the purpose of audit in order to enable the Board of Directors to healthily perform its duties and responsibilities. The Audit Committee consists of two persons. For 2009. Mr. Harri SAUKKOMAA and Mr. Tezcan YARAMANCI have been elected as members of the Audit Committee by our Board of Directors. The Audit Committee carries out its activities orderly as prescribed in the Capital Market Legislation and Corporate Governance Principles of the Capital Market Board.

27. Financial Rights Offered to the Board of Directors

No benefits are offered to the chairman and members of the Board of Directors except for the remuneration set by the General Assembly. There is no application for the Board of Directors based on performance or rewarding.

AUDITOR'S REPORT

TO THE GENERAL ASSEMBLY OF
COMPONENTA DÖKÜMCÜLÜK TICARET VE SANAYI A.Ş.,

We have audited the accounts and transactions of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. for the period 01.01.2012 –31.12.2012 in respect of the Turkish Commercial Code, Articles of Association of the company and other related regulations

- in respect of the Turkish Commercial Code, Articles of Association of the company and other related regulations, The legal books and records of the company are in conformity with the related regulations,
- Transactions related with the Company's proceedings have been recorded properly and regularly,
- Annual report prepared and presented to the shareholders by the Board of Directors as well as the 31.12.2012 balance sheet and 2012 income statement attached to the Annual Report are in conformity with the company records,
- During the period ,There is no notice and complaint received to audit process,
- Balance sheet prepared as of 31.12.2012 represent a true and fair view of the financial position of the Company as well as the income statement for period from 01.01.2012 to 31.12.2012 represent a true and fair view of the financial results of the Company,
- Profit distribution proposal of the board of directors is in conformity with the related laws and articles of association of the company.

We propose approval of the balance sheet and income statement and dismiss the members of the Board of Directors from liabilities and responsibilities related to their activities.

22 February 2013

Ayşegül Eder Uyanıkdeniz
Auditor

Adil G. Öztoprak
Auditor

INDEPENDENT AUDITOR'S REPORT

Convenience translation into English of independent auditor's report originally issued in Turkish

TO THE BOARD OF DIRECTORS OF COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

1. We have audited the accompanying consolidated financial statements of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. and its subsidiaries (collectively referred as the "Group") which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. as of 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (See Note 2).

Additional paragraph for convenience translation into English

5. As described in Note 2 to the consolidated financial statements (defined as the "CMB Financial Reporting Standards") the accounting principles 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 – 31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of PricewaterhouseCoopers

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Adnan Akan, SMMM
Partner

Istanbul, 28 February 2013

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)

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CONSOLIDATED BALANCE SHEET

	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.

	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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	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

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**

CONSOLIDATED STATEMENTS OF CASH FLOW

	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

NOTES TO THE 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 Corporation located in Finland, at 12 December 2006. Accordingly the Company is a subsidiary of Componenta Corporation 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 on the Istanbul Stock Exchange. The main shareholder of the Company is Componenta Corporation (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.

Change in the functional currency

Due to Euro denominated transactions gained gradually significance on Company's operations during last years, the Company changed its TRY functional currency to Euro on 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 Turkish Lira except Euro.

Translation to the presentation currency

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

(a) Assets and liabilities in consolidated balance sheet as at 31 December 2012 have been converted into TRY 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 TRY 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.

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 TRY using foreign exchange rate as of balance sheet date whereas income statement accounts are translated into TRY 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.

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 in-

formation 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.

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.

(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.
- 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.

2.2 Changes in Accounting Policies

There are no changes in 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 cash equivalents 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.

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.

	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.

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).

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 held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The liabilities which are directly attributable to these assets shall be classified same as assets. Aforementioned disposal group is 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.

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.

If forward foreign exchange purchase contracts do not meet 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.

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).

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.

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.

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.

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)

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 TRY 10.152.226 (1 January – 31 December 2011: TRY 11.591.034).

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 aluminium die casting, gray cast iron and wheel businesses 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 aluminium	**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 TRY 3,186,441 (31 December 2011: 2,780,789 TRY) and loans and interests of these loans lended to Componenta Oyj amounting to TRY 231,018,841 (31 December 2011: 74,973,954) as of 31 December 2012 and receivables from personnel amounting to TRY 1,812,710 (31 December 2011: 1,848,394).

Segment liabilities:

	31 December 2012	31 December 2011
Gray cast iron	**61,764,856**	89,450,319
High pressure aluminium	**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 TRY 238,168,356 (31 December 2011: 89,104,058 TRY), tax provisions amounting to TRY 16,555,025 (31 December 2011: 7,582,296 TRY) and forward expense accruals amounting to TRY 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 aluminium	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**

Segmental analysis for the period 1 January – 31 December 2011:

	1 January – 31 December 2011			
	Gray cast iron	High pressure aluminium	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 aluminium	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 aluminium	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 TRY are 2,6% and 8,2% (31 December 2011: TRY 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	TRY
Short-term bank borrowings				
Short-term borrowings				
TRY 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

(*) TRY borrowings consist of daily TRY 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.

	31 December 2012			
	Annual average effective interest rate %	Maturity (Note 26)	Amount in original currency	TRY
Long-term financial liabilities				
EUR borrowings	5.44%	24 Months	87,000,000	204,597,900
				204,597,900

The Group has TRY 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 TRY 211.193.607 (31 December 2011: TRY 84.984.513) as of 31 December 2012.

	31 December 2012			
	Annual average effective interest rate %	Maturity (Note 26)	Amount in original currency	TRY
Short-term financial liabilities				
EUR borrowings	4.00 9.8-10.2	8 Months	5,000,000	12,219,000
TRY Borrowings(*)	-	0-1 Months	5,131,873	5,131,873
Interest of TRY Borrowing	Trlibor+1.5-2	3-6 Months	766,506	766,506
Interest of EUR Borrowing	4.00	3-9 Months	249,889	610,679
				18,728,058

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

	31 December 2011			
	Annual average effective interest rate %	Maturity (Note 26)	Amount in original currency	TRY
Long-term financial liabilities				
	9.8-10.2.			
TRY Borrowings	Trlibor+1.5-2	15-16 Months	21,500,000	21,500,000
EUR 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

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**

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

Aging analysis for trade receivables

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

TRY 20.577.845 of total overdue receivables comprises receivables from related parties. TRY 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 TRY 5.229.145 (31 December 2011: TRY 5.349.262).

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 EUR, TRY, 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 EUR, TRY, 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%).

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 EUR 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 TRY 89.000.000 is 30 June 2015 (31 December 2011: The aforementioned amount consists of loans lended to Componenta Oyj amounting to EUR 25.000.000 at 15 March 2011 and TRY 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 EUR 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 TRY 7.197.982 (31 December 2011: TRY 5.904.938). Credit risk related to these receivables is not transferred.

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 TRY 237.413.497 of the cost of goods sold is related to raw material and supplies usage (1 January – 31 December 2011: TRY 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

NOTE 9 – INVESTMENTS VALUED AT EQUITY METHOD

Investments in associates:

	31 December 2012 Associate		31 December 2011 Associate	
	share %	amount	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

	31 December 2012		31December 2011	
	Sales income	Net income	Sales income	Net income
Kumsan	**12,527,007**	**1,983,898**	15,013,275	1,962,222

NOTE 10 – TANGIBLE ASSETS

	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.

	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**

NOTE 10 – TANGIBLE ASSETS (Continued)

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

	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)**
Net book value	**616,075**		**-**	**1,162,897**

NOTE 12 – GOODWILL

Goodwill is amounting to TRY 2.386.564 as of 31 December 2012 (2011: TRY 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 taken 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 TRY 7.374.265 composed of tax principle amounting to TRY 2.949.706 and tax penalty amounting to TRY 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 TRY 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 TRY 707.074 (31 December 2011: TRY 1.236.087).

Movements in the provisions during the year are as follows:

	1 January 2012	Additions	Foreign currency difference	Unutilized portion/ utilizaiton	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**

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 TRY Equivalent	Original Currency TRY	Original Currency USD	Original Currency EUR
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	Yoktu
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.

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

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

	31 December 2011			
	Total TRY Equivalent	Original Currency TRY	Original Currency USD	Original Currency EUR
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 TRY 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 TRY 1.250.011. The Group have not received a settlement with tax authority on payment of assessments of corporate tax and value added tax amionting to TRY 3.068.498. The Group have not provided provision for these assessments at consolidated financial statements in accordance with advices of legal counsellors.

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 TRY 3.034 for each year of service as of 31 December 2012 (31 December 2011: TRY 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 TRY 3.129, which is effective from 1 January 2013 (1 January 2012: TRY 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

NOTE 15 – OTHER ASSETS 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 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

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

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 preferred 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 TRY 23.240.986 as of 30 September 2012 including TRY 17.359.091 profit on financial asset sales classified under equity (31 December 2011: TRY 23.240.986).

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

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)

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

	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)

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 AND EXPENSES

	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)

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 EXPENSES

	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.

As at 31 December 2012 Wheel production plant at Manisa is not classified as discontinued operation due to requirements could not be fulfilled.

NOTE 24 – TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	1 January – 31 December 2012	1 January – 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)

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)**	

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)

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 Ltd Högfors	**5,379,936**	1,188,030
Componenta B.V.	**1,309,934**	52,581
Componenta B.V. Weert MS	**831,984**	-
Componenta Corporation	**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 Corporation amounting to EUR 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 TRY 89.000.000 is 30 June 2015 (31 December 2011: The aforementioned amount consists of loans lended to Componenta Corporation amounting to EUR 25.000.000 at 15 March 2011 and TRY 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 Corporation by adding 10% margin on interest rates of loans as a base. Annual effective interest rate of the loans lended to Componenta Corporation is 6,6% for EUR and 5,5% for GBP.

NOTE 25 – RELATED PARTY DISCLOSURES (Continued)

b) Trade payables to related parties:

	31 December 2012	31 December 2011
Componenta Corporation	**2,445,776**	7,694,416
Kumsan A.S.	**463,939**	336,981
Componenta Finland Ltd Pietarsaari	**264,652**	-
Componenta B.V.	**97,586**	1,876,580
Componenta Finland Ltd 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 Ltd Högfors	8,955,999	-	-	8,955,999
Componenta B.V.	1,894,648	5,979	-	1,900,627
Componenta B.V. Weert MS	603,064	4,792	-	607,856
Componenta Corporation	-	-	265,057	265,057
	46,468,269	**1,650,538**	**265,057**	**48,383,864**

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 Corporation	-	-	246,250	246,250
Componenta B.V. Weert MS	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 Corporation	6,937,846	16,487,777	-	23,425,623
Componenta B.V.	-	-	1,209,229	1,209,229
Componenta Finland Ltd Pietarsaari	-	-	931,262	931,262
Componenta Finland Ltd Högfors	-	-	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 Corporation	7,413,148	15,178,884	-	22,592,032
Componenta B.V.	1,637,845	-	839,506	2,477,351
Componenta Finland Ltd Pietarsaari	526,739	-	214,472	741,211
Componenta Finland Ltd Högfors	652,219			652,219
	10,229,951	**15,178,884**	**1,053,978**	**26,462,714**

f) Financial expenses:

	1 January – 31 December 2012	1 January – 31 December 2011
Componenta Corporation	**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 – 31 December 2012	1 January – 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.

	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 EUR and TRY denominated interest rates became 1% higher/ lower with all other variables held constant, profit before tax would be lower/ higher by TRY 403.986 (31 December 2011: TRY 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 EUR and TRY denominated interest rates became 1% higher / lower with all other variables held constant, profit before tax would be higher /lower by TRY 242.139 (31 December 2011: 1.307.878 TRY).

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
	Related Parties	Other Parties	Related Parties	Other Parties	Deposits	Total
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**				
- Guaranteed portion	-	-	-	-	-	-
D. Net book value of the assets impaired						
Overdue (gross book value)	-	3,772,911	-	-	-	-
Impairment (-)		(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	**-**	**-**	**-**	**-**	**-**	**-**

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

b) Credit risk (Continued)

	Receivables					
31 December 2011	Trade Receivables		Other Receivables			Bank
	Related Parties	Other Parties	Related Parties	Other Parties	Deposits	Total
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	-	3,772,911	-	-	-	3,772,911
Overdue (gross book value)		(3,772,911)				(3,772,911)
Impairment (-)	-	-	-	-	-	-
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 EUR 23 million that the Group can utilize whenever needed, and a factoring agreement of TRY 57 million and EUR 68 million.

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

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

c) Liquidity risk (Continued)

	31 December 2012						
	Net book value	Agreed total cash outflows	Less than 3 months	3-12 months	1-5 years	5-10 years	Cash
Agreement terms:							
Non-derivative financial liabilities							
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						
	Net book value	Agreed total cash outflows	Less than 3 months	3-12 months	1-5 years	5-10 years	Cash
Agreement terms:							
Non-derivative financial liabilities							
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 2011					
	Net book value	Agreed total cash outflows	Less than 3 months	3-12 months	1-5 years	Cash
Expected terms						
Non-derivative financial liabilities						
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					
	Net book value	Agreed total cash outflows	Less than 3 months	3-12 months	1-5 years	Cash
Expected terms						
Non-derivative financial liabilities						
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**	**-**	**-**	**-**

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 TRY 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				
	TRY Equivalent (Functional Currency-EUR)	USD	TRY	GBP	SEK	TRY Equivalent (Functional Currency-TRY)	USD	EUR	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 (IFRS 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	-

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 TRY				
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 EUR against TRY				
4. EUR net asset/liability	(3,393,391)	3,393,391	-	-
5. Hedged from the EUR risk (-)				
6. Net EUR Effect (4+5)	**(3,393,391)**	**3,393,391**	-	-
10% change in GBP against EUR				
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 TRY				
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 EUR against TRY				
4. EUR net asset/liability	5,711,153	(5,711,153)	-	-
5. Hedged from the EUR risk (-)	(3,299,130)	3,299,130	-	-
6. Net EUR Effect (4+5)	**2,412,023**	**(2,412,023)**	-	-
10% change in GBP against TRY				
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)**	-	-

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.

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 -EUR	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 TRY against 28.217.348 EUR, 6.300.000 GBP against 7.796.145 EUR forward foreign exchange sale agreements that have a total value. With regard to these contracts, an income accrual of TRY 289.225 TRY is recognized in consolidated financial statements. (31 December 2011: TRY 496.345 income accrual).

NOTE 28 – EARNINGS PER SHARE

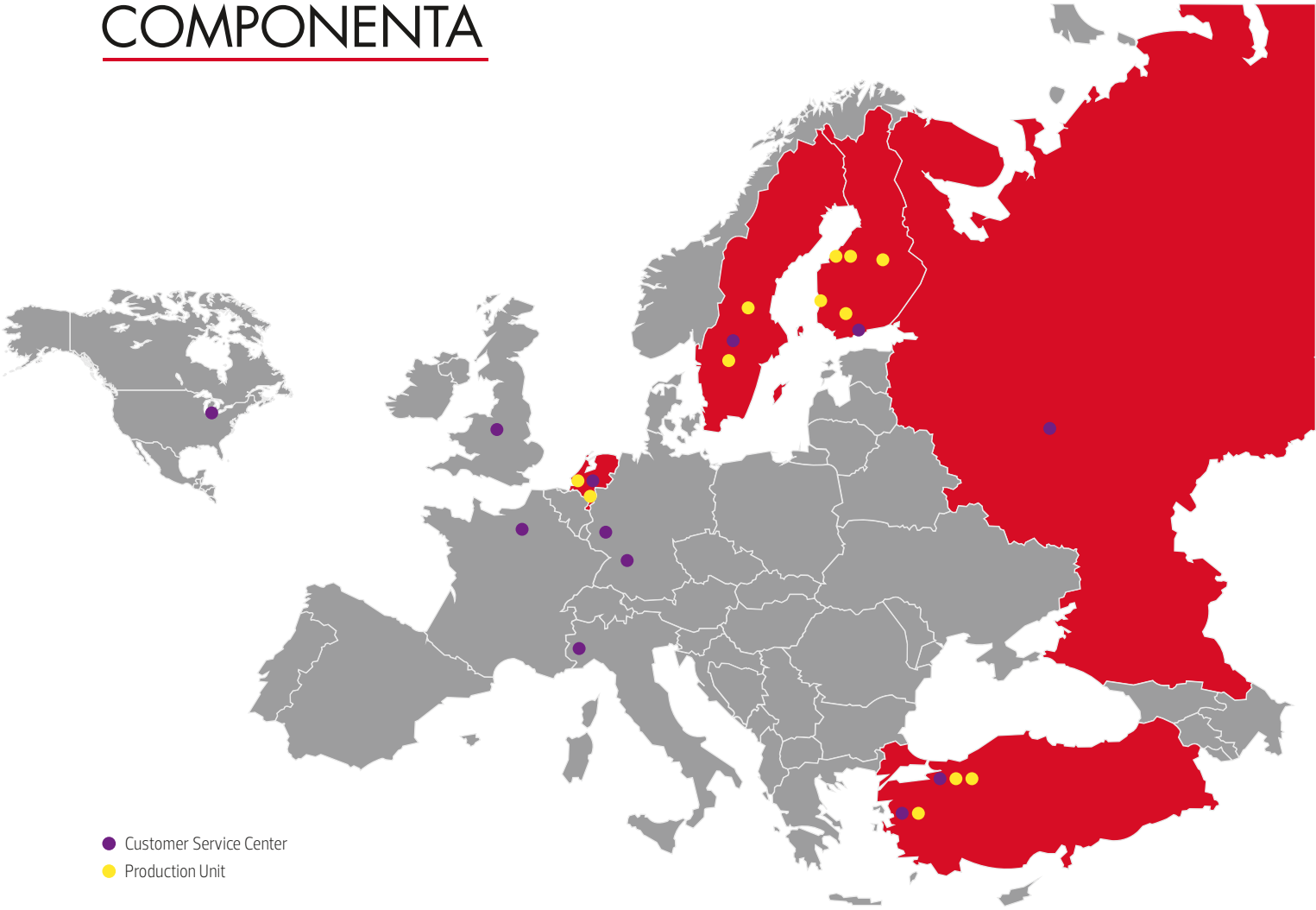
For 1 January - 31 December 2012 and 1 January - 31 December 2011 accounts terms, weighted average of Group's share and profit accounts for unit share:

	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 (TRY)	**14,839,399**	
	42,052,337	
Earnings per share with nominal value of TRY 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.

COMPONENTA



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