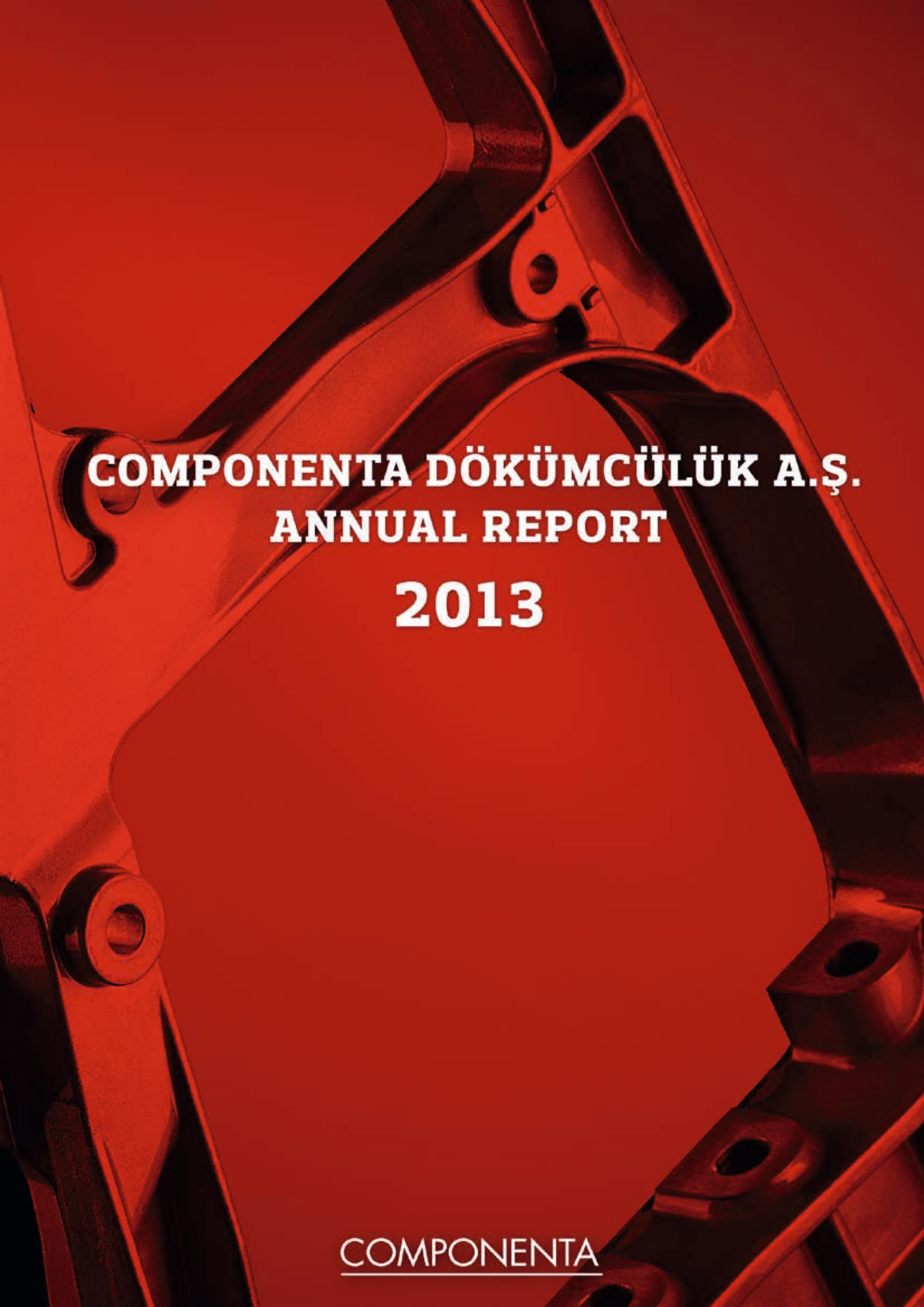


COMPONENTA DÖKÜMCÜLÜK A.Ş.
ANNUAL REPORT
2013

COMPONENTA

Contents

Componenta Group in Brief (Componenta Corporation / Finland)

2013 Year end

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 2013, Componenta's net sales amounted to EUR 511 million and the number of employees to approximately 4,400. The company's shares are quoted on the NASDAQ OMX Helsinki.

Development

Sales by market area

- Germany 21% (19%)
- Sweden 19% (18%)
- Turkey 13% (14%)
- UK 11% (10%)
- Finland 8% (8%)
- Benelux 7% (8%)
- France 6% (7%)
- Italy 5% (6%)
- Other European countries 3% (4%)
- USA 3% (2%)
- Other countries 2% (2%)

Sales by customer industry

- Heavy trucks 31% (28%)
- Construction and mining 19% (23%)
- Machine building 18% (19%)
- Agricultural machinery 17% (15%)
- Automotive 15% (15%)

Personnel by country

- Turkey 60%
- Finland 17%
- Netherlands 13%
- Sweden 10%

Group development 2009 – 2013

MEUR	2009	2010	2011	2012	2013
Net sales	299.6	451.6	576.4	544.8	510.5
Operating profit	–15.4	13.5	22.5	4.0	14.9
Financial income and expenses	–21.8	–23.5	–25.9	–29.4	–24.5
Profit/loss after financial items	–37.2	–10.0	–3.4	–25.4	–9.6
Profit for the financial period	–28.7	–7.5	–3.1	–24.0	–15.5

Group development 2009 – 2013 excluding one-time items

MEUR	2009	2010	2011	2012	2013
Net sales	299.6	451.6	576.4	544.8	510.5
Operating profit	–15.4	13.6	29.8	10.0	18.2
Financial income and expenses	–21.8	–23.5	–25.9	–27.7	–24.4
Profit/loss after financial items	–37.2	–9.9	3.9	–17.6	–6.2

Key ratios

	2009	2010	2011	2012	2013
Statement of financial position total, MEUR	388	420	437	460	452
Net interest bearing debt, MEUR	242	230	243	236	230
Invested capital, MEUR	317	311	326	340	325
Return on investment, %	–4.1	5.0	7.8	2.0	4.9
Return on equity, %	–45.1	–10.3	–5.8	–32.9	–18.6
Equity ratio, %	17.5	16.8	9.4	18.1	18.9
Net gearing, %	356.4	325.0	591.4	283.5	269.6
Investments in non-current assets, MEUR	17.9	8.5	21.8	19.2	18.9
Number of personnel at period end	3,614	4,016	4,240	4,104	4,154
Average number of personnel	3,684	3,853	4,234	4,249	4,153

Net sales by market area

MEUR	2012	2013
Germany	105.6	107.4
Sweden	97.1	97.6
Turkey	76.0	64.8
UK	55.4	56.3
Finland	46.3	42.7
Benelux countries	44.4	37.2
France	35.5	32.9
Italy	33.1	27.6
Other European countries	19.1	17.5
Other countries	32.2	26.6
Total	544.8	510.5

Operational divisional structure adopted in reporting

At the beginning of 2013, the new divisional structure was also adopted in reporting. The restructuring carried out on 1 November 2012 had replaced Componenta's previous country-based segments with three operational segments: the Foundry Division, the Machine Shop Division and the Aluminium Division. The new structure enables the efficient utilisation of management resources, competence and internal synergies within each division.

Efficiency improvement programme expanded

The ongoing Group-wide efficiency programme aimed at productivity and profitability improvements was expanded with new development projects. The new projects focus on improving the foundries' utilisation rates, developing processes and increasing profitability by EUR 10 million in 2015 in addition to the previous result improvement target of EUR 25 million. Launched in October 2012, the efficiency improvement programme progressed smoothly during the year.

95 years at the leading edge of foundry business development

Componenta has been one of the forerunners in the Finnish and European foundry business for 95 years. The keys to the company's success include solid know-how and competence as well as continuous reform and the introduction of new ways of working. In addition to its own development, Componenta has contributed to the establishment of industry standards and the reform of the whole casting business. Componenta is Casting Future Solutions – together with the customers.

Sustainability at Componenta

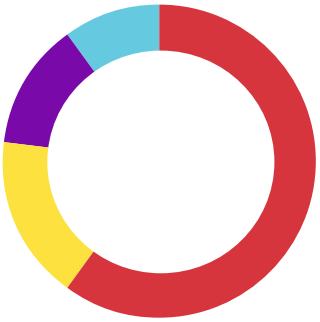
Sustainability is an integral part of all Componenta operations. We maintain and develop our economic, social and environmental responsibility by looking after our profitability, people and the environment.

2013, sustainability was particularly apparent in measures aimed at

- improving profitability in all Componenta countries and units
- strengthening the company's balance sheet and financial position
- developing the organization's operations and common One Componenta ways of working
- boosting production and taking measures in order to improve the indoor and outdoor environment and working conditions
- deciding on significant investments to reduce the environmental load.

In our operations, we take into account the ISO 26000 guidelines with regard to social responsibility. We comply with laws and regulations and our common, Group-wide operating principles and policies (including the Componenta Way to Operate and the Code of Conduct) in daily management, operations and cooperation with all stakeholders. Our operations are based on Componenta's common values.

Personnel by country



All Componenta production units have third-party certified quality and environmental management systems. Furthermore, four of our units employ an occupational health and safety management system certified under the OHSAS 18001 standard, and the establishment of the system is in progress or beginning in our other units as well.

Sustainability targets and measures in 2013

We cast future solutions in accordance with sustainable business principles.

We listen to the needs of our stakeholders and observe the requirements set for us by our operational environment.

Responsible business	Targets	Measures taken in 2013
Ensuring competitiveness and profitability and increasing shareholder value	· Reducing the Group's debt-equity ratio and strengthening the balance sheet and financial position · Improving profitability and competitiveness	· Share issue, hybrid bond and two notes · Continuing and expanding the efficiency programme in order to improve profitability · Developing function-specific structures and the organization · Securing adequate resources in order to implement the efficiency programmes
Good leadership, consideration of people and the development of competence, wellbeing and safety	· Developing the personnel's competence and increasing occupational wellbeing · Implementing and developing coherent operational models and practices to support efficient business operations and management · Ensuring that the operators in the supply chain adhere to the required principles of quality and responsibility	· Improving the working environment and working conditions as part of the efficiency improvement projects · Developing engineering and product development operations · Audits of raw material suppliers with the focus on quality, environmental issues and occupational safety
Reducing the environmental impact of a cast component during its life cycle	· Improving energy efficiency in production · Minimising the production waste dumped at landfill sites · Developing environmentally friendly and high-quality products in cooperation with customers	· Increasing energy efficiency in the units · Reducing the environmental impact of production as part of quality and process development · Reviews aimed at increasing opportunities for the reuse of production waste · Product design projects where the optimisation of component material and structure has also reduced their environmental impact

President´s review

As a whole, 2013 was a satisfactory year for Componenta, even though market expectations were not fully met towards the end of the year. In the difficult operational environment characterised by economic uncertainty, market demand remained modest, influencing our sales.

Componenta's customer segments developed individually. In the heavy trucks industry, our customers' volumes increased towards the end of the year. However, demand declined in the construction and mining industry, particularly for mining machinery and equipment. Demand varied in the machine building industry, but still remained at the previous year's level on the whole. Demand for agricultural machinery remained steady and Componenta increased its market share, unlike in the automotive industry, where demand remained low. The fluctuation in demand affected our order and sales figures. In the first part of the year, sales remained low, but improved during the year, and our new sales developed positively. During the last quarter of the year, our sales and order book grew by 5% in comparison with the corresponding period in the previous year.

Our main focus area in 2013 was the efficiency program aimed at improving productivity, quality and profitability and cutting structural costs. Our efficiency program involves development projects and measures in all of our production countries and almost all of our units. The target of the first phase of the program is to cut costs and improve profitability by EUR 25 million per year by the end of 2014. In September 2013, we expanded our efficiency program with new projects focused on improving our foundries' utilization rates, developing our processes and increasing our profitability. The objective of the new projects is to reduce annual costs by at least EUR 10 million by the end of 2015. The program proceeded well during the year, resulting in a structural profit improvement of EUR 14.8 million in 2013. The implemented measures are expected to improve the company's operating result by EUR 25 million in 2014.

In a situation where uncertainty about the development of the economy has significantly affected the demand for investment goods and therefore also the size of the mar-

"In addition to the efficiency improvement measures we continued investments in development of customer cooperation and engineering services."

ket, we have focused our attention on the areas where we can make a difference. Improving productivity in our operations, making our operational structures more efficient, centralizing our functions, cutting unnecessary costs and increasing our market shares have been at the core of our operations. In order to be our customers' preferred partner and casting solution provider, we need to have competitive expertise and resources and ensure their continuous development.

In 2013, we invested in the development of our engineering operations, modifying and increasing our resources in terms of personnel and the necessary tools. The renewal of production structures and processes is set to continue in 2014, when we will also implement investments in Turkey and the Netherlands in order to improve the quality of our processes and significantly reduce the environmental impact of our component production by reducing emissions and the amount of waste. These personnel and process development measures are also our way of operating responsibly.

Over the past few years, we have expanded our presence outside of Europe, in the United States and Russia. In fact, 2013 was the first complete year for Componenta's Russian operations. Our presence in the Russian market and local customer service close to our customers operating in Russia has got off to a good start, and we have already made our first major deals and acquired new customers.

At the beginning of 2014, many economic indicators are heading in a better direction in Europe, creating the foundation for cautious optimism. Uncertainty factors have decreased, the economic situation is stabilizing and the prerequisites for modest growth are emerging. At Componenta, we will continue to carry out efficiency improvement measures and work hard for our customers and their satisfaction. Our cost savings and, consequently, improved competitiveness have created the necessary prerequisites for increasing our market shares and improving our utilization rates. As a whole, all of this forms a solid foundation for improved financial performance, which will also benefit all our stakeholders.

I would like to take this opportunity to express my sincere gratitude to our customers, personnel, owners and investors for their valuable cooperation and commitment in 2013.

Heikki Lehtonen
President and CEO

All of our operations are based on Componenta's common values and sustainability principles.

Componenta´s values

Openness: We are open to new things, development and change – and thereby also the continuous improvement of our ways of working.

Honesty: We are honest with ourselves and with each other. We do what we promise.

Respect: Our cooperation with our colleagues, supervisors, subordinates, customers and other partners is based on trust and mutual respect.

Componenta´s mission

"Casting Future Solutions"

Componenta´s vision

"Preferred casting solution provider both locally and globally."

Componenta's strategy

Making our vision a reality requires profitability.

In line with the Group strategy, updated in December 2013, we will above all focus on improving our profitability in the near future.

Componenta's mission is Casting Future Solutions and vision is to be preferred casting solution provider, locally and globally. All of our operations are based on Componenta's common values and sustainability principles. In order to achieve our vision we supply demanding castings and services covering the complete supply chain to selected industries. While doing so, we focus on the further development of our strategic strengths and the implementation of measures that improve our profitability.

Competitive advantage through strengths

Componenta's strategy is based on the Group's diverse production potential and broad product portfolio, enabling the flexible supply of extensive product lines and demanding products.

We also provide our customers with services covering the complete supply chain, such as engineering, casting, machining, surface treatment and logistics services. All of these help us create comprehensive solutions that provide added value for our customers. We serve selected industrial sectors with mutual synergies and companies which have strong, long-term relationships with Componenta. Our geographical focus area is Europe, but we also work with global customers.

In 2014–2016, we will focus on the further development of the strengths listed above. They form a unique combination and provide a competitive advantage against other operators in the industry.

Sound foundation for growth

Over the past few years, the casting market has suffered from economic uncertainty. There has been too much production capacity in the European casting market and, as a result, several foundries have gone bankrupt. As the number of foundries has decreased, meeting customers' casting needs has provided the remaining foundries with opportunities to increase their net sales and market shares.

Due to the challenging market situation, Componenta's profitability has fallen short of the target level, and therefore improving profitability is our most important strategic goal over the short term. In October 2012, we initiated a Group-wide efficiency programme in order to improve productivity and achieve cost savings. The programme was aimed at a profitability improvement of EUR 25 million per year in 2013–2014. In September 2013, the efficiency programme was expanded with new projects aimed at increasing profitability by a further EUR 10 million in 2015. In 2014 and 2015, the efficiency programme will focus on those measures that will improve the quality of our products and operations as well as our productivity, processes and production structure.

Alongside our efficiency programme, we will also continue to take strategic measures to develop our engineering and project management services and strengthen our common One Componenta ways of working, particularly in matters related to quality, health and safety, customer service and enterprise resource planning.
Good profitability forms a solid foundation for business development, while also creating the preconditions for future growth and improved cooperation and partnership with customers.

Componenta's financial objectives 2015

	Objective 2015	Actual 2013
EBIT	minimum 8%	3.6%*)
Equity ratio	minimum 40%	18.9%
Return on investment	minimum 15%	5.9%*)

*) Excluding one- time items

In short term, in years 2012 – 2013, Componenta's targets have been to reach the targets of financial solidity and profitability, to decrease the company's debt and to achieve a good credit rating.

Strategic measures

Measures to reach the strategic goals continued in 2013.

Goal	Measures taken in 2013 were among others:
We grow and operate together as One Componenta	· Increasing tools that support coherent processes and ways of working, including the new HR Information System · Boosting the use of the ERP system SAP and preparing for its expansion · Conducting the Pulse opinion survey among white-collar employees · Implementing structural and organizational changes in order to boost operations and clarify management
We offer the best customer experience	· Developing the quotation process · Expanding engineering partnership with customers · Concentrating engineering and customer service functions in the Netherlands · Improving communication between sales, production planning and production · Carrying out a customer satisfaction survey
We excel in delivery certainly, quality and cost efficiency	· Efficiency projects aimed at improving productivity, quality and profitability in Finland, Turkey, the Netherlands and Sweden · Developing and speeding up the production start-up processes for new products · Quality improvement projects for products and processes using LEAN Six Sigma tools · Developing reporting on delivery certainty
We boost up solution selling	· Continuing to develop engineering functions in Orhangazi, Turkey · Increasing casting simulation capacity · Developing product segmentation · Developing product development and engineering competence and knowledge of customer sectors

Message from Managing Director

2013, Year of Change

Consolidated net sales of Componenta Dökümcülük A.Ş. had dropped to EUR 251.4 million in 2013 from EUR 265.6 million in 2012. The 5.3% decline in sales volume resulted from shrinking business of the Orhangazi plant.

Total number of personnel has increased to 271 white collar and 2,378 blue collar (including leased) personnel in 2013, from 263 white collar and 2,202 blue collar (including leased) personnel in 2012. The net increase in employment was 184 employees, representing 7.4% of the total.

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

Compared to 2012, share of automotive sector in total sales increased from 30% to 32% in 2013, whereas share of agricultural machinery slightly decreased from 20% to 19%. Share of construction and mining decreased from 32% to 30%. In addition, share of machine building and heavy trucks remained unchanged with shares 4% and 15% respectively. Orhangazi Business Units' share in total Turkey sales increased from 72% to 75%, with the help of intragroup product transfers. In 2013, the share of export operations accounted for 73% of total sales.

Orhangazi Foundry

This Business unit, which is the Group's largest iron foundry, realized sales of 103,455 tons in 2013 as compared to sales of 112,309 tons in 2012. Accordingly, net sales which was EUR 181 million in 2012, decreased to EUR 168.8 million in 2013. 71% of sales were generated by export transactions while remaining 29% refers to the share of domestic sales.

Demand from the customers improved in the first half of 2013 due to positive development in the economy. The negative trend in the economy in the second half of the year caused decline in the volumes. Additionally, there was a product mix change and increasing number of new products introduced towards the end of 2013 having also temporarily negative impact on productivity and quality.

The ongoing improvement projects of 2013 will continue in 2014 when the foundry will focus more on improvements and quality of the most challenging products.

In line with the strategy of streamlining production flow, the layout changes in the core department have been implemented along with the smaller changes in the fettling department. There are also improvement projects ongoing in the melting and sand systems operations which will be finalized during 2014.

"In 2014, we will continue to improve the efficiency programmes that we implemented to all business units during 2013."

A number of investments were done during 2013 in order to improve the working conditions and environment at the shop floor like the new air filtering systems in the melting and fettling departments.

At the beginning of 2014 volume and order book forecasts are slightly positive. Total year 2014 with the target of 116,000 tons is better than 2013.

Orhangazi Machine Shop

In 2013, Orhangazi Machine Shop realized an investment of EUR 4 million in 3,200 m^2 additional building and machinery.

Through the investment the total capacity of the Machine Shop increased 10% from the previous year up to 240.000 machining hours/year.

The new honing machine has started to run on the production line, the new compressor cylinder block has been honed successfully. Hence the new machining technology and ability has been added to our machining portfolio.

By the end of 2013, the total business volume of Machine Shop realized 148,000 machining hours. Accordingly, net sales totalled to EUR 39.8 million whereas value added turnover between raw casting and machined part realized as EUR 9.9 million. Compared to 2012, total turnover and value added turnover decreased by 4% and 12% respectively. 89% of sales were generated by export transactions while remaining 11% refers to the share of domestic sales.

The total net sales of Machine Shop is expected to increase by 25% in 2014 with start up of serial production of new products.

The Machine Shop will continue its growth by providing high quality and competitive products to its own customers.

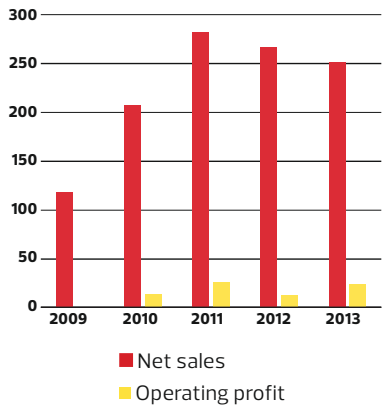
The Machine Shop will continue its growing every year by developing ability, capability and customer satisfaction.

Manisa Aluminium Foundry

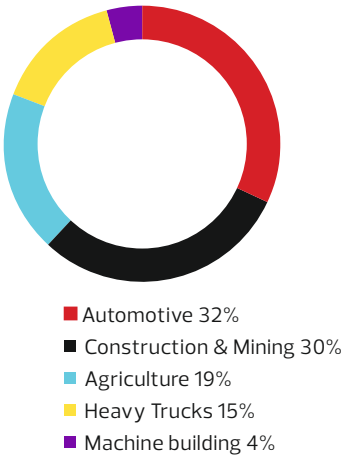
Comparing to 2012, the business unit achieved a 10% growth and realized sales of 6,334 tons. Accordingly, the net sales increased to EUR 35.1 million in 2013. The unit performed better than targets and allowed us to become more secure and eager for our future performances. In 2013, 56% of sales were generated by export transactions while remaining 44% refers to the share of domestic sales.

Organizational changes implemented at the end of 2012 were expected to have positive outcome over Manisa

Componenta in Turkey
Net Sales & Operating Profit, MEUR



Sales by customer industry 2013, %



Aluminium Foundry Business Unit, particularly in terms of sales performance. We have affirmed the expectations by executing new projects at year end worth for EUR 10 million.

Positive feedback received to our offers and successfully managed customer visits taking place by the global players of automotive sector also indicate that 2014 will be an active year.

In 2014, together with the revised organizational structure in Engineering, Quality and Production areas also with new participations to our workforce, more successful results were aimed to be achieved along with the implementation of new projects. Additionally, a more systematic approach will be adapted to our processes in order to reduce losses.

For the year 2014, a 10% growth in sales is anticipated. Besides, quality perfections obtained in existing customers signal green light for quickly switching to carry-over projects.

Thus, 2014 is expected to be a significant year in terms of increase in sales and customer portfolio as well as quality and safety issues.

Manisa Wheels Business Unit

Adopted sense of work and team spirit continued to maintain its positive impacts on business during 2013. Accordingly, improvements in stock reduction, productivity and scrap rate were observed.

In 2013, we renewed our long-term agreements by sustaining our "absolute customer satisfaction" objective and by preserving close relations with our customers.

As a result of accomplished investments and meeting customer requirements, the Wheels Business Unit secured its strong position in the European aftermarket. Like in 2011 and 2012, over one million units were sold during 2013.

In 2013, the business unit achieved a net sales of EUR 37.6 million with 1,049,000 units and forecasts a sales volume for 1,200,000 units in 2014. 94% of sales were generated by export transactions while remaining 6% refers to the share of domestic sales.

Additionally, in 2014 we will mainly focus on issues such as strengthening the environment and safety awareness as well as improving the ongoing processes and efforts related to enhancing profitability through cost reductions.

2014, the year of Productivity

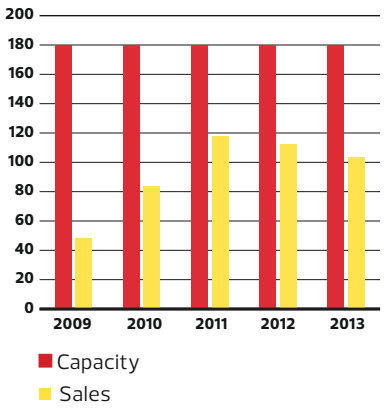
In 2013, efficiency and quality enhancing activities continued in all our business units. Together with the increasing business volume forecasts, restructured Turkey operations will continue to offer competitive solutions and will boost environment and safety activities in 2014.

High quality and excellence in delivery certainty will be the most competitive areas for Componenta, as they have been since the beginning of the company.

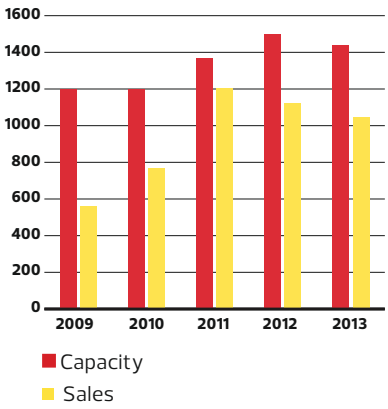
I would like to express my sincere gratitude to our customers, shareholders and personnel for their solid cooperation and commitment during the challenging year of 2013.

Sabri ÖZDOĞAN
Managing Director

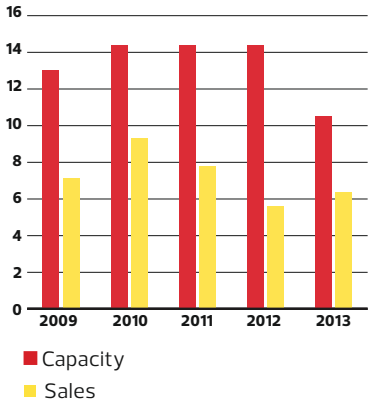
Orhangazi Foundry Business Unit Capacity & Sales, 1,000 tons



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 30% (32%)

Customers in the Construction & Mining industry include manufacturers of forklifts, combined 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, Volvo Construction Equipment (VCE), Carraro Drive Tech and Shield Engineering.

Heavy Trucks 15% (15%)

For the Heavy Trucks 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, Mercedes Benz Türk.

Automotive 32% (30%)

The Group supplies automotive industry, including manufacturers of passenger 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 them to aftermarket. Largest customers in Automotive segment are Tofaş, Ford Otosan, Ford of Europe, Renault, PSA, A.T.U Auto-Teile-Unger, Borbet Wheels, O.Z Racing, R.O.D Wheels.

Agriculture 19% (20%)

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

Machine Building 4% (3%)

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 Raba Axle, ABB, Kone, Atlas Copco, Ingersoll Rand and ZF Friedrichshafen AG.

Share structure and affiliates

Capital structure and distribution

Our company's registered share capital as at 31.12.2013 was 250.000.000 TRY, the issued share capital was 66,844,800 TRY. Existing shareholders are as follows:

Distribution 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

SUBSIDIARIES

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

ASSOCIATED COMPANIES

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

Title field of operation capital share, %

Title	Field and operation	Capital	Share %
Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş. / Turkey	Foundry sand production and trading	1,200,000 TRY	25.10%
Componenta UK Limited / England	Import & trading	287,850 GBP	100%

Human resources

By the end of 2013, the number of personnel employed by Componenta UK, one of our affiliates, was 9 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 1.9.2012 / 31.8.2014 for the period. Negotiations are ongoing for the new agreement period.

Componenta Dökümcülük A.Ş / Number of personnel

	2008	2009	2010	2011	2012	2013
Blue collar	1,279	947	1,156	1,462	1,501	1,534
White collar	166	157	166	191	198	203
Leased	64	54	105	125	92	112
Orhangazi total	1,509	1,158	1,427	1,778	1,791	1,849
Blue collar	464	476	674	660	599	715
White collar	72	68	74	74	65	68
Leased	8	9	104	30	10	17
Manisa total	544	553	852	764	674	800
Total (Turkey)	**2,053**	**1,711**	**2,279**	**2,542**	**2,465**	**2,649**

Board of directors and administration

COMPONENTA A.S. BOARD OF DIRECTORS

Heikki LEHTONEN
Chairman of Board

Harri SAUKKOMAA
Vice Chairman of Board

Mika HASSİNEN
Member of Board

Tezcan YARAMANCI
Member of Board

Altan EDİS
Member of Board

Mehmet Alev ATAKAN
Member of Board *)

*) Independent Board Member Mr. Mehmet Alev Atakan resigned on 13.01.2014.

COMPONENTA A.Ş ADMINISTRATION

Sabri ÖZDOĞAN
Managing Director,
Senior Vice President,
Aluminium Division

Olli KARHUNEN
Senior Vice President,
Iron Foundry Division

Ömer Lütfü ERTEN
Vice President of
Orhangazi Foundry

Sibel BİNİCİ
Treasury Director

Elina LIIPPOLA
Finance 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 42nd ORDINARY GENERAL ASSEMBLY OF COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ ANONİM ŞİRKETİ TO BE CONVENED ON 27 MARCH 2014

1) Opening and appointment of meeting president;
2) Appointment of one clerk and two vote collectors by the meeting president;
3) Reading and discussing the Board of Directors' and auditors reports regarding the activities and accounts of the Company for the year 2013, accepting, amending or rejecting the Board of Directors' suggestion regarding Balance Sheet and Income Statement for the year 2013;
4) Discharge of members of the Board of Directors regarding their liability concerning the year 2013;
5) Approving, amending or rejecting Board of Director's proposal related to distribution of 2013 profit and the distribution date;
6) 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,
7) Determining the monthly gross salaries of members of the Board of Directors and the independent members of the Board of Directors,
8) 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,
9) Release of Shareholders who hold management control, board members, executive managers and their spouses 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,
10) Informing the General Assembly regarding the related party transactions which were carried out in 2013 in accordance with the Capital Markets Board's regulations,
11) Informing the shareholders regarding income and benefits from and the security, pledge and mortgages which have been established in favour of third parties in accordance with the Capital Markets Board's regulations,
12) Informing the General Assembly regarding the "Profit Distribution Policy" of the Company for the year 2014 and the following years,
13) Authorizing the Board of Directors for advance distribution of profit in 2014 in accordance with the Capital Markets Law;
14) 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 2013,
15) Authorization of the meeting presidency to sign the meeting minutes,
16) Wishes and closing.

BOARD REPORT SUBMITTED IN COMPONENTA DÖKÜMCÜLÜK TİCARET ve SANAYİ A.Ş.'s

42nd general assembly of shareholders meeting dated 27 March 2014

Dear Shareholders,

Welcome to the Ordinary General Assembly in which Componenta Dökümcülük A.Ş.'s financial statements and operations concerning fiscal year 2013 will be presented and discussed. We thank you for the attention you have shown and greet you all respectfully.

View of the sector in year 2013

Due to the economic turbulence, increasing political concerns and the increased volatility of global markets, 2013 was a challenging year. Even for the advanced economies the outlook is still subject to significant risks. In 2013, Turkish economy grew by 4% in the first nine months of the year. On a yearly basis, economy was expected to grow between 3.6 – 4.0%. In December, the number of motor vehicles registered to the traffic increased by 13.5% compared with the same month of the previous year. Cars, minibuses, trucks, special purpose vehicles and tractors increased by 23%, 43%, 26%, 15%, 44% respectively while buses, small trucks and motorcycles decreased by 40%, 21% and 1%. In the period of January – December, the total number of motor vehicles in traffic increased by 906,034.

View of Economy 2013

Industrial production index increased by 7.1% compared to previous year. The ultimate increase in industrial production has occurred in machine and equipment installation and repairment by 48.8%. As of December 2013, realized consumer price index (TÜFE) was 7.40% and realized producer price index (ÜFE) was 6.97%. Within the scope of Central Bank of Turkey, the realized overnight interest rate was around 10% in 2013. USD with the buying rate of 1.7826 TRY (Central Bank of Turkey), at the end of 2012, completed the 2013 year end at the rate of 2.1343 TRY, and thus, increased 19.72% compared to 2012. EUR with the buying rate of 2.3517 TRY (Central Bank of Turkey), at the end of 2012, completed the 2013 year end at the rate of 2.9365 TRY, and thus, increased 24.86% compared to 2012.

Orhangazi Foundry and Machine Shop Business Units;

In comparison with 2012, 2013 Sales tonnage in Orhangazi Foundry decreased from 112,309 tons to 103,455 tons or by 7.88%. In comparison with 2012, 2013 Sales turnover in Orhangazi Business Units increased from 443.5 MTRY to 445.0 MTRY or by 0.3%.

Manisa Aluminium Die Casting Business Unit;

In comparison with 2012, 2013 Sales tonnage in Manisa Aluminium Die Casting increased from 5.669 tons to 6.334 tons or by 11.73%. In comparison with 2012, 2013 Sales turnover in Manisa Aluminium Die Casting increased from 74.5 MTRY to 95.2 MTRY or by 27.82%.

Manisa Aluminium Wheels Business Unit;

In comparison with 2012, 2013 Sales volume decreased from 1,120.698 units to 1,047.503 units or by 6.53%. In comparison with 2012, 2013 Sales turnover in Manisa Aluminium Wheels Business Unit increased from 95.0 MTRY to 95.4 MTRY or by 0.46%.

Export and import operations

Export operations which were 182.3 MEUR in 2012, realized as 190 MEUR in 2013 an increase of 4.22%. In 2013 import volumes decreased from 45.4 MEUR to 36.9 MEUR compared to 2012.

	2013	2012	2011	2010	2009
ORHANGAZI FOUNDRY AND MACHINE SHOP BUSINESS UNITS					
Capacity (tons)	**180,000**	180,000	180,000	180,000	180,000
Production (tons)	**105,881**	116,070	119,856	85,890	45,670
Sales (tons)	**103,455**	112,309	117,586	83,770	48,326
Sales (MTRY)	**445.0**	443.5	448.7	260.2	154.3
Operating profit (MTRY)	**17.0**	7.5	30.4	11.6	–9.8
MANISA ALUMINIUM DIE CASTING PLANT					
Capacity (tons)	**10,500**	14,400	14,400	14,400	13,000
Production (tons)	**6,496**	5,713	7,760	9,346	6,828
Sales (tons)	**6,334**	5,669	7,853	9,310	7,121
Sales (MTRY)	**95.3**	74.5	100.4	97.3	70.0
Operating profit (MTRY)	**11.6**	9.1	13.1	10.7	7.5
MANISA ALUMINIUM WHEELS PRODUCTION BUSINESS UNIT					
Capacity (tons)	**1,440,000**	1,560,000	1,365,000	1,200,000	1,200,000
Production (tons)	**1,052,819**	1,111,585	1,208,542	780,235	532,346
Sales (tons)	**1,047,503**	1,120,698	1,204,057	765,929	557,084
Sales (MTRY)	**95.4**	95.0	105.5	54.2	35.5
Operating profit (MTRY)	**16.1**	11.1	17.8	6.7	3.7
COMPONENTA DÖKÜMCÜLÜK A.Ş. TOTAL					
Sales (MTRY)	**635.7**	612.9	654.6	411.7	259.9
Operating profit (MTRY)	**62.0**	30.8	60.5	28.3	0.8
Export MEUR	**190.0**	182.3	192.8	135.2	69.5
INVESTMENTS					
Investments MEUR	**9.4**	12.1	13.2	5.2	4.9

INVESTMENTS

In 2013, investments were 4.4 MEUR for Orhangazi Foundry and 3.3 MEUR for Machine Shop business unit. These investments were made for capacity increase and maintenance purposes. Investments were 0.1 MEUR for Wheels Business Unit and 1.6 MEUR for Aluminium Die Casting Business Unit. These investments were made for capacity increase and maintenance purposes. Total capital expenditure was 9.4 MEUR in 2013.

FINANCIAL RESULTS

Consolidated operating results of our company for 2013 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 2012, our sales turnover increased by 3.7% in 2013. Our actual net sales were 635,656,586 TRY (2012: 612,933,966 TRY), and our actual gross margin has been 136,246,578 TRY (2012: 118,316,748 TRY), whereas Operating profit was 61.995.329 TRY (2012: 28.594.618 TRY) with an increase of 116.8% in comparison with the previous year. Reference to IFRS conclusions of 2013, the reserved depreciation expense has been for 22.815.799 TRY and Profit Before Taxes realized as 26,431.795 TRY whereas this figure was 19.050.957 TRY in 2012.

Dear Shareholders, we have now summarized the financial results of operations of 2013 to your kind attention. In order to develop our profitability and competitiveness, we will proceed on our way with measures we decided in 2013.

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.

Dividend distribution proposal

According to Financial report results in accordance with the CMB, profit before tax is amounting to TRY 26,431,795 (Legal: TRY 6,113,157.91) . When tax liability is deducted, CMB profit is TRY 15.310.785 (Legal: TRY 978,817.01).

According to CMB regulations, lowest amount will be subject to Distributable Dividend from CMB Results and Legal Results. After deducting 48,940.85 of 1st degree legal reserves, net distributable profit results to TRY 929,876.16 according to Legal results.

It has been decided unanimously not to distribute dividend by keeping the profits under capital and to offer this decision to General Assembly consent.

COMPONENTA DÖKÜMCÜLÜK TİC.VE SAN.A.Ş. PROFIT DISTRIBUTION TABLE FOR 2013 – TRY

1– Capital		**66,844,800.00**
2– Legal Capital Reserve (Statutory)		**12,136,306.26**
Privileged Stock according to Articles of Association		
	CMB	**LEGAL**
3– Profit before tax	**26,431,795.00**	**6,113,157.91**
4– Corp.tax (–)	**11,121,010.00**	**5,134,340.90**
5– Net Profit	**15,310,785.00**	**978,817.01**
6– Prv. Accum. Loss (–)		
7– Order Reserves (–)	48,940.85	48,940.85
8– Distributable profit for the year	**15,261,844.15**	**929,876.16**
9– Offerings during year	370.00	
10– Net Distributable profit for first Dividend, offerings added	**15,262,214.15**	
11– First Dividend to Shareholders	0	
– Cash Dividend	**0.00**	
– Capital Increase through Bonus issues		
– Total	**0.00**	
12– Dividend to privileged shareholders		
13– Dividend to Board, other staff		
14– Dividend to redeemed shares		
15– Second Dividend to Shareholders		
16– Secondary Reserves	**0.00**	
17– Statuary Reserves		
18– Private Reseves		
19– EXTRAORDINARY RESERVES	15,261,844.15	929,876.16
20– Other resources	**0**	**0**
– Retained earnings	0	0
– Extraordinary reserves	0	0
– Distributable Dividend according to Articles of Association	0	0
Other reserves	0	0

DIVIDEND RATIO INFORMATION

Dividend per share

	Group	**TOTAL Dividend RATIO**	**Dividend attributed to 1 TRY nominal stock Total**
Gross	A+B	0.00	0.0000
	TOTAL	**0.00**	**0.0000**
Net	A+B	0.00	0.0000
	TOTAL	**0.00**	**0.0000**

Distributed Dividend over distributable profit, offerings added

Dividend to Shareholders (TRY)	**Dividend to Shareholders over net Distributable profit, offerings added (%)**
0,00	**0,00 %**

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

Corporate Governance Policy

SECTION I

1. Report for Compliance with Corporate Governance Principles

Pursuant to the Communique dated 30 December 2011 and Serial: IV, No: 56 Regarding the Determination and Application of Corporate Governance Principles (the "Communique"), the companies listed on Borsa İstanbul A.Ş. ("BIST") are obliged to comply with some of the principles set forth in the Annex of the Communique. Finally, Corporate Governance Legistlation (II-17.1) has been entered to force dated 3 January 2014 by Official Gazette No:28871.

Board decisions rendered and transactions executed that are not in compliance with the mandatory Corporate Governance Principles set forth by the Capital Markets Board will be deemed void and contrary to the articles of association.

Pursuant article 6 of the Communique, BİST companies shall have a detailed declaration in their annual activity reports regarding to whether they complied with Corporate Governance Principles set forth in the Annex of the Communique or not; if not, a reasoned explanation of this non-compliance; any conflict of interest which arose due to non-compliance with these principles and whether the company has any plans regarding its intentions to change some of its management applications within the framework of the aforementioned principles. Accordingly, Componenta Dökümcülük Ticaret ve Sanayi A.Ş. has inserted the following information about compliance with the principles to 2013 Annual Report.

SECTION II – SHAREHOLDERS

2. Investors 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 / 02245734263-107). Investor Relations Manager is Emre YILMAZ (emre.yilmaz@componenta.com / 02245734263-380) and Yıldıray DOMAÇ, who is the Shareholders Relations representative (yildiray.domac@componenta.com / 02245734263-282). The activities of the department are as mainly as follows:

- Promotion of our company to the individual and corporate investors; and informing the potential investors and shareholders,
- Responding information requests of the undergraduate, graduate students and the lecturers of the universities making research 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 requesting persons,
- Informing our shareholders,
- Submitting Material Disclosures to Borsa İstanbul 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 requesting information. Such requests are, in general, related to attendance in the general meeting, distribution of free shares, according with law no 6111 quotation of 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 Platform) system that is run by Tübitak-Bilten has been established under the Company, and the notices are sent from our company to the Borsa İstanbul 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

Request for the appoinment of a special auditor does not exist in our Articles of Association as an individual right. No request has been received from our shareholders in this regard. The Company's activities for the year 2013 are periodically audited by an Independent External Auditor (Consulta External Audit Co.) and Auditors assigned by the General Assembly.

4. Information on General Assembly

Our company has held the Ordinary General Assembly only once in 2013. In the General Assembly Meeting where the activities of 2013 were discussed and which was held on March 18, 2013, 6.254.490.993 shares were represented among 6.684.480.000 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. Shareholders are informed by notifying the Borsa İstanbul 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 via all kinds of communication tools including electronic communication and announcements made on the Turkish Trade Registry Gazette and newspapers published in the area where the company's headquarters is located at least three weeks prior to the General Assembly. This announcement states where the financial statements for the period that have been audited by independent auditors may be examined.

In addition, the information specified in the mandatory Corporate Governance Principles is being placed on the website of the company along with the general assembly meeting announcement and other notifications and declarations to be made in accordance with the relevant legislation.

A shareholder can take the floor in the General Assembly, express his views about the company activities, ask questions from the company's management, request information, and his questions are 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 2013 General Assembly.

The minutes of the General Assembly are available in our website. In addition, these minutes are made available to the shareholders for examination purposes at the headquarters of the company.

In accordance with provisions of the Regulation on Electronic General Assembly Meetings of Joint Stock Companies published on the Official Gazette dated 28 August 2012 and numbered 28395 and entered into force on 1 October 2012 as per article 1527 of the Turkish Commercial Code numbered 6102, necessary actions in relation to attendance of shareholders to general assembly meetings through electronic means, declaration of opinions, raising propositions and casting votes are being carried out and they will be applied starting from the general assembly meeting for the year 2013 through the electronic general assembly system provided by the Central Registry Agency.

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, and within the legal period. In our General Meeting dated March 18, 2013 dividend distributed

with the amount of 238.237 TRY from retained earnings, 658.590 TRY from extraordinary reserves, 30.560.711 TRY from inflation adjustment differences extraordinary reserves, 8.649.342 TRY from distributable other reserves in accordance with the Law and the Articles of Association.

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 III – 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 requested 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 2013, our company issued 14 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 Borsa İstanbul. 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 the Board of Directors
Harri SAUKKOMAA	: Vice Chairman of the Board of Directors
Mika HASSINEN	: Member of the Board of Directors
Tezcan YARAMANCI	: Member of the Board of Directors
Mehmet Alev ATAKAN	: Member of the Board of Directors
Altan EDİS	: Member of the Board of Directors
Sabri ÖZDOĞAN	: Managing Director, Senior Vice President, Aluminium Division
Ömer Lütfü ERTEN	: Vice President Orhangazi Foundry
Olli KARHUNEN	: Senior Vice President, Iron Foundry Division
Sibel BİNİCİ	: Treasury Director
Ali Alper ÇELTEK	: Human Resources Director
Elina LIIPPOLA	: Finance Director
Seyfi DEĞİRMENCİ	: Product Development Director
Uğur DEMİRCİ	: Sourcing Director
Mehmet KIZILAY	: Assistant Director, Orhangazi Machine Shop
İbrahim KEYİF	: Assistant Director, Production Group 1
Yusuf ÇAMUR	: Assistant Director, Production Group 2
Güngör ÇETİN	: Assistant Business Unit Director, Aluminium Casting
Önder SÖNMEZ	: Assistant Business Unit Director, Aluminium Wheels Casting
Alpaslan UZ	: Assistant Director, Production Planning
Ali DİZYÖRÜR	: Accounting Manager, Manisa
Meryem CİNDORUK	: Accounting Manager, Orhangazi
Çiğdem KOCAOĞLU	: Financial Controller, Orhangazi
Tülin KILINÇ	: Controller, Orhangazi
Aydın ERTÜRK	: Asst. Controller, Orhangazi
Evrim KENDÜZLER	: Controller, Orhangazi
Erman KURUM	: Controller, Orhangazi
Ercüment Halil KAMALI	: Controller, Manisa
Ergi DEMİRER	: Asst. Controller, Manisa
Cansın BULDUK	: Cost Accounting Manager

Emre YILMAZ	: Investors Relations Manager
Yıldıray DOMAÇ	: Shareholders Representative
Özlem DEVRİM	: Treasury Unit Manager
Cemil YILMAZ	: Treasury Unit 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 IV– 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 May 2013, a Memorandum of Agreement for Collective Labor Bargaining has been signed between MESS and Turkish Metal Union for the period of 01.09.2012 – 31.08.2014 .

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 "Climate 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 is assigned.

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

All precautions 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 purchased 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 plants are located and the overall social work aimed at the public. In this context, information as to our activities carried out during the period are available in our website.

PART V – BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors

The majority of the Board members will comprise of non-executive members, most of whom will be independent members who have the ability to act solely at their own discretion. The number and qualifications of the independent members will be determined based on the corporate governance regulations published by the

Capital Market Board. Principles as specified under such regulations will be applicable to the appointment of the independent board members. Following the General Assembly meetings at which members of Board of Directors are elected, the Chairman and Vice Chairman 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 care. Our independent the members of the Board of Directors have the qualifications prescribed by the Capital Market Board in Corporate Governance Principles, Part 4, article 4.3.7..

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 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 any one 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 390/4 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.

The Company will comply with Capital Market Board's corporate governance principles regarding transactions which are considered to be important for the application of the Corporate Governance Principles and related party transactions of the company and transactions concerning the establishment of security, pledge and mortgage for third parties.

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

Shareholders who hold management control, board members, upper level managers and their spouses and relatives up to second degree will notify and obtain the prior approval of the general assembly in order to engage in transactions or compete with the Company or its subsidiaries which will result in conflict of interest.

25. Ethical Rules

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

- We are open to new ideas, changes and improve ourselves. In this way, we are trying to continiously improve our working method.
- We are honest between each other. We fulfill that promise.
- Our relationship between employees, our superiors, subordinates, shareholders and customers is based on trust and mutual respect.

26. Board of Directors

Function of the Board of Directors

Board of Directors governs and represents the Company by taking strategic decisions, maintaining an optimal balance between risk, growth and return, pursuing a rational and prudent risk management approach, and giving priority to the prudent risk management approach, and giving priority to the Company's long term plans. The Board of Directors determines the human resources and financial resources the Company will need in light of its strategic objectives and oversees the management's performance. The Board of Directors is responsible for overseeing the compliance of the Company's activities with laws and regulations, the Articles of Association, Company's internal regulations and policies.

Structure of the Board of Directors

The constitution and election of the Board of Directors are conducted in compliance with the Corporate Governance Principles and the principles governing this process are stipulated in the Company's Articles of Association. As set forth in the Company's Articles of Association, one-third of the Board of Directors is made up of independent members as defined in the Corporate Governance Principles.

The names and surnames of the Members of the Board of Directors are presented below as per the Company's Articles of Association. In compliance with the Corporate Governance Principles, majority of the Members of the Board of Directors are non-executive members. The Nominating Committee evaluates the proposed candidates, including the management and shareholders, for independent Board members based on whether the candidates meet the criteria for independence and presents its assessment in a report to the Board of Directors for approval.

Corporate Governance Committee

Corporate Governance Committee controls whether Corporate Principles are applied appropriately, and if not this committee seeks the reasons behind and provides helpful advices to Board of Directors and reviews studies of Investor Relations departments in detail (Committee set 1 meeting during 2013).

Early Detection of Risk Committee

Risk Committee is responsible to take necessary precautions in order to prevent Company's failure and reviews going concern - sustainability of the firm, also this committee controls risk system once in a year (Committee set 6 meetings during 2013).

Audit Committee

Controlling and checking of internal audit activities for healthy functioning, making regulations for internal independent audit, examination of auditor's report and selection of audit company are main responsibilities of Audit Committee (Committee made 4 meetings during 2013).

Heikki LEHTONEN	: Chairman of the Board of Directors (Group President and CEO)
Harri SAUKKOMAA	: Deputy Chairman of the Board of Directors
Mika HASSINEN	: Member of the Board of Directors (Group CFO)
Tezcan YARAMANCI	: Member of the Board of Directors
Altan EDİS	: Member of the Board of Directors (Independent)
Mehmet Alev ATAKAN	: Member of the Board of Directors (Independent)*)

Audit Committee

Altan EDİS, Committee Chairman
Mehmet Alev ATAKAN, Member
Tezcan YARAMANCI, Member

Early Detection of Risk Commitee

Altan EDİS, Committee Chairman
Tezcan YARAMANCI, Member
Mika HASSINEN, Member
Mehmet Alev ATAKAN, Member

Corporate Governance Committee

Altan EDİS, Committee Chairman
Tezcan YARAMANCI, Member

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. Mandatory Corporate Governance Principles set forth by the Capital Market Board will be applicable to remuneration to be paid. There is no application for the Board of Directors based on performance or rewarding.

Financial benefits provided to members of the Board of Directors and senior management:

As of 31 December 2013; Amount of TRY 2,447,780 was paid to Board of Directors and Senior Management.

**) Mehmet Alev Atakan resigned from the Board of Directors as of 13 January 2014*

consulta
Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
An Independent Member of the INAA Group

INAA GROUP INTERNATIONAL NETWORK OF ACCOUNTANTS AND AUDITORS

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Componenta Dökümcülük Ticaret ve Sanayi A.Ş.

Introduction

1. We have audited the accompanying consolidated balance sheet of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. (the Company) and its Subsidiary (collectively referred to as the "Group") as at 31 December 2013 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. and its Subsidiary as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Kore Şehitleri Caddesi Üsteğmen Mehmet Gönenç Sokak No:3 Kat:3 34394 Zincirlikuyu - ŞİŞLİ / İSTANBUL Tel.: (0212) 347 34 00 (pbx) Faks: (0212) 347 92 70

Statement of responsibility

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION DATE: February 17, 2014
RESOLUTION NUMBER: 2

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUE
OF SERIES: XI NO: 29, SECTION 3 ARTICLE 9

February 17, 2014

BORSA İSTANBUL BAŞKANLIĞI'NA
İSTANBUL

Independently audited financial statements of our Company for the accounting period of January – December 2013, prepared pursuant to the CMB Communique Series: XI No. 29 and in compliance with the International Financial Reporting Standards, presented as specified by CMB Resolution 11/467 of April, 2008, are attached below. We declare that,

a) We have examined the consolidated financial statements dated December 31, 2013;

b) Within the framework of information available in so far as our duties and responsibilities, the financial statements do not contain any mispresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclose;

c) Within the framework of information available in so far as our duties and responsibilities, the financial statements prepared in accordance with the applicable financial reporting standards fairly reflect the facts about the assets, liabilities, financial condition and loss of the Company along with its consolidated subsidiaries.

Regards,

Sabri ÖZDOĞAN
Managing Director

Sibel BİNİCİ
Treasury Director

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONSOLIDATED FINANCIAL STATEMENTS

2013

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	Notes	31 December 2013	31 December 2012
ASSETS			
Current Assets		**498,282,580**	190,750,922
Cash and Cash Equivalents	4	**26,802,660**	40,943,772
Trade Receivables	6	**65,019,762**	52,854,107
– Trade receivables from related parties	26	**30,736,348**	23,108,136
– Other trade receivables		**34,283,414**	29,745,971
Other Receivables		**310,116,101**	21,076,916
– Trade receivables from related parties	26	**309,683,070**	20,633,305
– Other receivables	7	**433,031**	443,611
Inventories	8	**78,545,047**	58,668,311
Prepaid Expenses	9	**2,369,893**	332,763
Current Income Tax Assets	25	**562,557**	3,592,724
Other Current Assets	16	**14,866,560**	13,282,329
Non-Current Assets		**349,708,404**	482,469,174
Other Receivables		**10,574,113**	212,198,246
– Financial receivables from related parties	26,7	**10,574,113**	212,198,246
Investments in Associates	10	**3,459,038**	3,186,441
Property, Plant and Equipment	11	**315,919,466**	250,901,469
Intangible Assets		**15,532,633**	13,613,862
– Goodwill	13	**2,919,110**	2,386,564
– Other Non-current Assets	12	**12,613,523**	11,227,298
Prepaid Expenses	9	**4,223,154**	2,569,156
TOTAL ASSETS		**847,990,984**	673,220,096

Financial statements were approved and authorised for issue in the meeting of Board of Directors dated 17 February 2014. In addition, financial statements for the year 2013 are subject to approval of shareholders of the Componenta Dökümcülük Ticaret ve Sanayi A.Ş. in the General Assembly.

	Notes	31 December 2013	31 December 2012
LIABILITIES			
Current Liabilities		**371,546,312**	125,045,568
Short-Term Borrowings	5	**260,567,620**	33,542,862
Short-Term Portion of Long Term Borrowings	5	**4,792,440**	3,145,017
Financial Instruments	28	**3,592,883**	289,225
Trade Payables		**79,446,896**	59,253,955
– Trade payables to related parties	26	**1,768,774**	3,453,758
– Other trade payables		**77,678,122**	55,800,197
Liabilities for Employee Benefits	15	**7,097,664**	4,858,507
Other trade payables	7	**1,244,747**	10,668,195
– Trade payables from related parties	26,7	**23,653**	68,436
– Other payables		**1,221,094**	10,599,759
Provisions	14	**5,496,012**	6,038,883
Other Current Liabilities	16	**9,308,050**	7,248,924
Non-Current Liabilities		**143,172,805**	245,214,069
Long-Term Borrowings	5	**94,916,669**	211,416,995
Long-Term Provisions		**22,600,537**	17,242,049
–Provisions for Benefits to Personnel	15	**22,600,537**	17,242,049
Deferred Tax Liabilities	25	**25,655,599**	16,555,025
SHAREHOLDERS' EQUITY		**333,271,867**	302,960,459
Shareholders' equity of parent company			
Paid in Capital	17	**66,844,800**	66,844,800
Paid-in Capital Inflation Adjustment Differences	17	**45,195,347**	45,195,347
Share Premium	17	**161,041**	161,041
Other Comprehensive Income/Expense Not to be Reclassified to Profit or Loss		**72,487,593**	76,997,766
– Gain/loss on revaluation and remeasurement	17	**76,376,567**	76,980,484
– Funds for actuarial gain/(loss) on employee termination benefits	17	**(3,888,974)**	17,282
Other Comprehensive Income/Expense to be Reclassified to Profit or Loss		**68,354,907**	1,700,978
– Currency translation differences	17	**68,354,907**	1,700,978
Restricted Reserves	17	**5,786,834**	23,240,986
Retained Earnings	17	**59,130,560**	73,997,421
Net Profit for the Period	17	**15,310,785**	14,822,120
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**847,990,984**	673,220,096

	Notes	**1 January–31 December 2013**	1 January–31 December 2012
CONTINUING OPERATIONS:			
Sales Income	18	**635,656,586**	612,933,966
Cost of Sales (-)	18	**(499,410,008)**	(494,617,218)
GROSS PROFIT		**136,246,578**	118,316,748
Marketing, Sales and Distribution Expenses (-)	19	**(49,997,791)**	(53,153,933)
General Administrative Expenses (-)	19	**(39,044,560)**	(35,327,302)
Research and Development Expenses (-)	19	**(2,470,413)**	(2,205,584)
Other Operating Income	21	**33,026,634**	6,442,445
Other Operating Expenses (-)	21	**(15,765,119)**	(5,477,756)
OPERATING PROFIT		**61,995,329**	28,594,618
Investment Operating Expenses (-)		**(10,321,329)**	-
Investment Operating Incomes		**1,302,840**	5,484,388
Income From İnvestments İn Associate	10	**378,065**	487,016
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSE		**53,354,905**	34,566,022
Financial Incomes	22	**20,372,366**	11,142,765
Financial Expenses	23	**(47,295,476)**	(26,657,830)
PROFIT BEFORE TAXES		**26,431,795**	19,050,957
Taxation On Income		**(11,121,010)**	(4,228,840)
- Taxes On Income	25	**(5,990,538)**	(2,594,867)
- Deferred Tax Income	25	**(5,130,472)**	(1,633,973)
NET PROFIT		**15,310,785**	14,822,117
OTHER COMPREHENSIVE INCOME			
Other Comprehensive İncome/Expense not to be Reclassified to Profit or Loss			
Funds For Actuarial Gain/(Loss) on Employee Termination Benefits		**(3,906,256)**	17,282
Other Comprehensive İncome/Expense to be Reclassified to Profit or Loss			
Revaluation Funds		**-**	76,980,484
Changes in foreign currency translation differences		**66,653,929**	804,577
TOTAL COMPREHENSIVE INCOME		**78,058,458**	92,624,460
Earnings Per Share With A Nominal Value Of Kr 0.1 Each (TRY)	29	**0,2290**	0,2217

Consolidated statements of changes in shareholders' equity for the period 1 January – 31 December 2013:

			Other comprehensive income and expense not to be reclassified to profit or loss			Other comprehensive income and expense not to be reclassified to profit or loss			Retained Earning	
	Paid-in capital	Inflation adjustment to share capital	Share premium	Funds for actuarial gain/(loss) on employee termination benefit	Revaluation fund	Restricted reserves	Foreign currency translation differences	Retained earnings	Net profit for the period	Total equity
1 January 2013	**66,844,800**	**45,195,347**	**161,041**	**–**	**76,980,484**	**23,240,986**	**1,700,978**	**73,997,421**	**14,839,402**	**302,960,459**
Effect on change in accounting policies *)	–	–	–	17,282	–	–	–	–	(17,282)	–
Restated at 1 January	**66,844,800**	**45,195,347**	**161,041**	**17,282**	**76,980,484**	**23,240,986**	**1,700,978**	**73,997,421**	**14,822,120**	**302,960,459**
Dividend paid	–	–	–		–	(17,454,152)	–	(30,292,898)	–	(47,747,050)
Transfers	–	–	–		–	–	–	14,822,120	(14,822,120)	–
Depreciation Transfer					(603,917)			603,917		–
Comprehensive income for the period	–	–	–	(3,906,256)	–	–	66,653,929	–	15,310,785	78,058,458
31 December 2013	**66,844,800**	**45,195,347**	**161,041**	**(3,888,974)**	**76,376,567**	**5,786,834**	**68,354,907**	**59,130,560**	**15,310,785**	**333,271,867**

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

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**
Transfers	–	–	–	–	–	–	–	42,052,337	(42,052,337)	–
Dividend paid	–	–	–	–	–	–	–	(23,396,467)	–	(23,396,467)
Comprehensive income for the period	–	–	–	–	76,980,484	–	804,577	–	14,839,402	92,624,463
31 December 2012	**66,844,800**	**45,195,347**	**161,041**	**–**	**76,980,484**	**23,240,986**	**1,700,978**	**73,997,421**	**14,839,402**	**302,960,459**

	Notes	1 January – 31 December 2013	1 January – 31 December 2012
Operating Activities:			
Income after tax		**15,310,785**	14,822,117
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	11	**20,063,205**	12,247,910
Amortization	12	**2,752,594**	599,805
Provision release income for diminution in value of inventories	8	**(207,095)**	(397,163)
Provision for employment termination benefit	15	**3,311,762**	1,694,490
Share in results of associates	10	**(378,066)**	(497,958)
Profit on sales of property, plant and equipment-net		**-**	(687,458)
Allowances for doubtful receivables- net			-
Interest and due date charge income	22	**(17,947,274)**	(10,833,730)
Interest and factoring expenses	23	**29,000,990**	22,726,026
Foreign currency translation differences		**(44,655,229)**	1,700,978
Litigation Provision	14	**-**	1,554,418
Tax Penalty	14	**353,149**	707,074
Forward Accrual	28	**485,383**	785,570
Tax Payment		**11,121,010**	4,246,122
Cash flows from operating activities before changes in operating assets and liabilities		**19,211,214**	48,668,201
Change in trade receivables	6	**(4,537,444)**	6,573,100
Change in related party balances	26	**(9,313,196)**	(34,223,285)
Change in inventories	8	**(19,735,976)**	6,451,993
Change in other assets and receivables		**691,573**	(48,006)
Change in trade payables and tax charges		**21,877,925**	5,358,085
Income taxes paid	25	**(6,553,095)**	(6,017,915)
Change in other liabilities		**(5,814,082)**	(4,167,934)
Employment termination benefits paid	15	**(2,836,092)**	(1,271,165)
Net cash provided by operating activities		**(7,009,173)**	21,323,074
Investing activities:			
Interest and due date charge income	22	**17,947,275**	10,833,730
Purchase of property, plant and equipment	11	**(15,324,092)**	(14,767,087)
Purchase of intangible assets	12	**(2,082,102)**	(10,460,939)
Proceeds from sale of property, plant and equipment and intangible assets		**1,302,840**	877,238
Dividends received	10	**105,420**	90,531
Loans lended to related parties		**(29,859,121)**	(136,469,208)
Advances given for investment		**(1,654,001)**	(2,119,975)
Net cash used in investing activities		**(29,563,781)**	(152,015,710)
Financial activities:			
Proceeds from bank borrowings		**291,757,223**	169,367,897
Payments of bank borrowings		**(194,838,733)**	(20,303,518)
Financial leases	5	**1,740,402**	3,077,725
Interest and factoring expenses paid		**(28,480,000)**	(21,844,066)
Dividend payment	17	**(47,747,050)**	(23,396,467)
Net cash provided by financing activities		**22,431,842**	106,901,571
Net increase/ (decrease) in cash and cash equivalents		**(14,141,112)**	(23,791,065)
Cash and cash equivalents at the beginning of the year	4	**40,943,772**	64,734,837
Cash and cash equivalents at the end of the year	4	**26,802,660**	40,943,772

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 Market Board of Turkey and its shares are currently quoted in the Istanbul Stock Exchange. The main shareholder of the Company is Componenta Corporation (Note 26).

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 2013 was 2.470.

(1 January - 31 December 2012: 2.114).

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 3). 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 2013 (Note 10).

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".

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the the consolidated financial statements of the Group have been prepared accordingly. The Group (and its Turkish subsidiaries, associates and joint ventures) maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These (consolidated) financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities (for any further assets or liabilities measured at fair value, please disclose here) which are carried at fair value. The (consolidated) financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Change in the functional currency

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

In this context, all figures at the balance sheet and comprehensive income statement as at and for the period ended on 29 February 2012 are converted to EUR by using Central Bank of the Republic of Turkey ("CBRT")'s EUR bid rate which corresponds to 2,35 on 29 February 2012. These figures which converted to EUR 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 EUR by using CBRT's EUR bid rate at the date of transaction. Monetary balance sheet items have been converted into EUR by using CBRT's EUR bid rate at balance sheet date. Statements of comprehensive income items have been converted into EUR by using CBRT's EUR bid rate at the date of transaction. Foreign currency translation differences arisen as a result of conversion activities recognized as foreign exchange income under financial income.

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

Translation to the presentation currency

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

a) Assets and liabilities in consolidated balance sheet as at 31 December 2013 have been converted into TRY by using CBRT's EUR bid rate on 31 December 2013, which corresponds to 2,93.

(1 December 2012:2,35) Amounts in equity carried at their historical costs.

b) The items in condensed consolidated interim statements of comprehensive income for the interim period ended at 31 December 2013 have been converted into TRY by using average of first three months of CBRT's EUR bid rate, which corresponds to 2,52 (1 March-31 December 2012:2,30).

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

d) 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. Assets and liabilities in consolidated balance sheet as at 31 December 2013 have been converted into TRY by using CBRT's TRY/GBP bid rate on 31 December 2013, which corresponds to 3,51.The items in condensed consolidated interim statements of comprehensive income for the interim period ended at 31 December 2013 have been converted into TRY by using average of first three months of CBRT's TRY/GBP bid rate, which corresponds to 2,97.

2.1.2 Consolidation principles

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 2013 and 2012:

	31 December 2013 Ownership interest	31 December 2012 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.

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.

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

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 2013 Ownership interest	31 December 2012 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 2013 relevant to the Group's financial statements:

- Amendment to IAS 1, 'Financial statement presentation', 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.
- Amendment to IAS 19, '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.

- Amendment to IFRS 1, 'First time adoption', on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This 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.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting ,; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- Amendment to IFRS 10, 11 and 12 on transition guidance ,; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- IFRS 10, 'Consolidated financial statements' ; is effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- IFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. IFRS 12 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.
- IFRS 13, 'Fair value measurement' ; is effective for annual periods beginning on or after 1 January 2013. IFRS 13 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 IFRS 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 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

b) All other new standards, amendments to standards and interpretations to existing which is effective from 1 January 2013, is not relevant to the Group's operations or that have significant impact on the financial statements are not listed.

c) Changes in existing standards new standards and interpretations that are not effective and not adopted by the Group:

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.
- Amendments to IFRS 9,'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

b) New IFRS standards, amendments and IFRICs effective after 1 January 2014

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations'
  - IFRS 13, 'Fair value measurement' and
  - IAS 40, 'Investment property'.

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

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

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.

The Company changed its functional currency to EUR 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 2013 comparatively with the balance sheet at 31 December 2012, 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 2013 comparative to the period between 1 January and 31 December 2012.

The Group has adopted "revaluation model" for its land, land improvements and buildings commencing from 31 December 2013 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

For the purpose of enabling the determination of financial status and performance trends, the Company's/Group's concise consolidated financial statements for the current period is prepared in comparison with the previous period. If necessary, comparative data is reclassified for the purpose of compliance with the presentation of concise consolidated financial statements for the current period.

The Group/Company completed the following reclassifications in accordance with the changes during the current period in the presentation of interim concise consolidated financial statements for previous periods as per the notice regarding the forms of financial statements and notes in accordance with the decision taken at meeting no. 20/670 dated 7 June 2013 of the Capital Market Board:

i) Principals and interests of loans amounting to TRY2,255,974 which were previously presented under the short-term borrowing account in the balance sheet for 31 December 2012 have been reclassified under short-term portion of long-term borrowings;
ii) Goodwill amounting to TRY2,435,114 which was previously presented under goodwill account in the balance sheet for 31 December 2012 has been reclassified under intangible assets;
iii) SSI debts and employee wage accruals amounting to TRY13,053,180 which were previously presented under other liabilities account in the balance sheet for 31 December 2012 have been reclassified under employee benefits;
iv) Expenses amounting to TRY24,748,193 which were previously presented under marketing, sales and distribution expenses account in the comprehensive income statement for 31 December 2012 have been reclassified under marketing expenses;
v) Interest and exchange differences from main operations amounting to TRY 2,637,856 which were previously presented under financial incomes and expenses account in the income

statement for 31 December 2012 have been reclassified under other incomes and expenses from main operations;

vi) Prepaid tax amounting to TRY3.592.724 which was previously presented under tax receivables in the balance sheet for 31 December 2012 has been reclassified under current income tax assets.

As stated in Section 2.2, the Group revised its accounting policy with respect to employee benefits as of 1 January 2012.

2.5. Summary of significant accounting policies

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

Cash and cash equivalents

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

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.

Groups of all financial assets impairment test takes into consideration the following criteria:

- The borrower's financial difficulty is in substantially lack,
- Not to be comply by debtor to provisions of contract such as non-payment or late payment of principal or interest,
- Deptor is privileged because of economic ve legal conditions,
- It ıs expected that the borrower could restructure from a financial point,
- Financial assets of the Group in the future, whether there can be a significant decline in cash flow using independent information,

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 2013

The Company has adopted "revaluation model" 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 31 December 2012. Other tangible assets 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.

Increasing on the disposal of tangible assets and other gains and losses from investment activities are presented in the income and expense accounts. (Dipnot 11, Dipnot 12).

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.

Groups of all financial assets impairment test takes into consideration the following criteria:

- The borrower's financial difficulty is in substantially lack,
- Not to be comply by debtor to provisions of contract such as non-payment or late payment of principal or interest,
- Deptor is privileged because of economic ve legal conditions,
- It ıs expected that the borrower could restructure from a financial point,
- Financial assets of the Group in the future, whether there can be a significant decline in cash flow using independent information,

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

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

Property, plant and equipment

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 12).

Discountinued Operations and Assets and Liabilities Held For Sale

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

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

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

Impairment of Assets

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

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

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

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

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

Factoring arrangements

The Group collects a portion of its trade receivables through factoring arrangements. In accordance with the factoring agreements,

in case the collection risk lies with the Group the related amount is carried under both trade receivables and financial liabilities until the collection of the trade receivable. The translation of foreign currency balances is performed using the ask rates announced by the Central Bank of Turkey prevailing at the balance sheet date.

Goodwill

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

Bank borrowings

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

Borrowing Costs

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

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

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

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

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 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.

Taxes on Income

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 25).

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 18).

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 26). 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).

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 2013 in consolidated financial statements by taking into consideration the capacity utilization rates. Capacity utilization rates for the period between 1 January - 31 December 2013 for gray cast iron, aluminium casting and wheel plants are respectively 61%, 59% and 70% (1 January - 31 December 2012: 64%, 40% ve 71%). As a result, depreciation expense of machinery and equipment for the period between 1 January - 31 December 2013 was realized as TRY 21,856,040. As of 31 December 2013, as a result of the usage of capacity utilization rates depreciation expense has been corrected by TRY 9,982,790 (1 January – 31 December 2012: TRY 10,152,226).

(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 25). 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 2013 as 4,06%.

NOTE 3 – SEGMENT REPORTING

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

Segment assets:

	31 December 2013	31 December 2012
Gray cast iron	364,614,003	309,240,498
High pressure	118,543,411	99,550,540
Wheel	41,117,349	28,411,063
Unallocated assets *)	323,716,221	236,017,992
Total assets per consolidated financial statements	847,990,984	673,220,093

*) Unallocated liabilities consist of financial investments in Kumsan to TRY 3,459,038 (31 December 2012: 3,186,441 TRY) and loans and interests of these loans lended to Componenta Corporation amounting to TRY 318,448,514 (31 December 2012: 231,018,841) as of 31 December 2013 and receivables from personnel amounting to TRY 1,808,669 (31 December 2012: 1,812,710).

Segment liabilities:

	31 December 2013	31 December 2012
Gray cast iron	77,674,208	61,764,856
High pressure	21,034,027	29,443,780
Wheel	33,178,426	24,038,395
Unallocated assets *)	382,832,456	255,012,606
Total liabilities per consolidated financial statements	514,719,117	370,259,637

*) Unallocated liabilities consist of bank borrowings amounting to TRY 350,700,936 (31 December 2012: TRY 238,168,356), tax provisions amounting to TRY 31,646,137 (31 December 2012: TRY 16,555,025) and forward expense accruals amounting to TRY 485,383 (31 December 2012: 289,225) as at 31 December 2013.

Segmental analysis for the period 1 January – 31 December 2013:

	1 January – 31 December 2013			
	Gray cast iron	High pressure	Wheel	Total
External revenues	444,959,610	95,348,488	95,348,488	635,656,586
Operating expenses	(427,960,761)	(83,717,696)	(79,244,315)	(590,922,772)
Operating profit	**16,998,849**	**11,630,792**	**16,104,173**	**44,733,814**
Incomes by investments operatings				1,302,840
Other operating income, net				17,261,515
Financial expenses, net				(37,244,440)
Share in results of associates				378,065
Profit before tax				**26,431,795**
Tax provision				(11,121,010)
Net profit for the period				**15,310,785**

Segmental analysis for the period 1 January – 31 December 2012:

	1 January – 31 December 2012			
	Gray cast iron	High pressure	Wheel	Total
External revenues	443,485,413	74,480,729	94,967,824	612,933,966
Operating expenses	(436,015,201)	(65,417,671)	(83,853,884)	(585,304,037)
Operating profit	**7,470,212**	**9,063,058**	**11,113,940**	**27,629,929**
Incomes by investments operatings				172,960
Other operating income, net				964,689
Financial expenses, net				(10,203,637)
Share in results of associates				487,016
Profit before tax				**19,050,957**
Taxation income				(4,228,840)
Net profit for the period				**14,822,117**

Depreciation, amortization and capital expenditures:

	1 January– 31 December 2013			
	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	11,239,606	9,068,707	2,507,486	22,815,799
Capital expenditures	9,776,759	6,075,223	1,554,212	17,406,194

Depreciation, amortization and capital expenditures:

	1 January– 31 December 2012			
	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	6,309,476	4,640,938	1,897,301	12,847,715
Capital expenditures	15,348,531	7,954,959	1,846,257	25,149,747

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	**–**	3,990
Banks		
Demand deposits - EUR	**21,426,104**	10,881,446
Demand deposits - Foreign currency	**5,376,556**	7,224,002
Time deposits - EUR	**–**	15,855,161
Time deposits - Foreign currency	**–**	6,979,173
	26,802,660	40,943,772

There is no time deposit as of 31 December 2013. (31 December 2012: Time deposit is three days).

NOTE 5 – SHORT AND LONG TERM BORROWİNGS

	31 December 2013	31 December 2012
Short term financial liabilities	**255,440,121**	30,425,439
Short term financial leasings	**5,127,499**	3,117,423
	260,567,620	33,542,862
Short term portions from long term liabilities	**4,792,440**	3,145,017
		-
Long term financial liabilities	**87,360,875**	204,597,900
Long term financial leasings	**7,555,794**	6,819,095
	94,916,669	211,416,995
Total financial liabilities	**360,276,729**	248,104,874

	31 December 2013			
	Annual average interest rate%	Maturity months (Note 26)	Amount in original	TRY
Short-term bank borrowings				
Short-term borrowings				
TRY borrowings *)		0-12	7,572,706	7,572,706
EUR borriwings	4.85%	0-12	81,409,069	239,057,731
Short-term USD borrowings against goods **)	2.61%	0-12	1,011,336	2,158,494
Short-term factoring liabilities ***)	10.01%	0-12	2,265,006	6,651,190
				255,440,121

*) 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 2013			
	Annual average effective interest rate %	Maturity	Amount in original Currency	TRY
Long-term financial liabilities				
EUR borrowings	5.47%	3-5	29,750,000	87,360,875
Short-term portions from long term liabilities	5.36%	1	1,632,025	4,792,440
				92,153,315

The Group has TRY 260.232.561 short term bank borrowings as of 31 December 2013. The fair value of the Group's short-term financial liabilities approximates their carrying amount. Fair value of long-term financial liabilities is TRY 94.239.584 (31 December 2012: TRY 211.193.607) as of 31 December 2013.

	31 December 2012			
	Annual average effective interest rate %	Maturity months	Original Amount	TRY
Short-term financial liabilities				
EUR borrowings				
TRY borrowings*)	-	-	7,851,513	7,851,513
EUR borrowings	5.2%	0-12	2,000,000	4,703,400
Short-term USD borrowings against goods **)	1.6%	0-12	6,489,572	11,568,310
Short-term factoring liabilities ***)	-	0-1	2,679,855	6,302,216
				30,425,439

*) 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	Amount in original Currency	TRY
Long-term financial liabilities				
EUR borrowings	5.44%	24	87,000,000	204,597,900
				204,597,900

Redemption schedules of borrowings at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Up to 1 year	**263,340,061**	33,570,456
1 to 2 years	**72,678,375**	204,597,900
Over 4 years	**14,682,500**	-
	350,700,936	238,168,356

NOTE 5 – SHORT AND LONG TERM BORROWİNGS (Continued)

Redemption schedule of leasing borrowings are as follows:

	31 December 2013			31 December 2012		
	Minimum financial leasing payment	Interest	Total liabilities	Minimum financial leasing payment	Interest	Total liabilities
Short-term portion						
2013	-	-	-	4,212,785	(1,095,362)	3,117,423
2014	6,033,630	(906,131)	5,127,499	-	-	-
Short-term portion	**6,033,630**	**(906,131)**	**5,127,499**	**4,212,785**	**(1,095,362)**	**3,117,423**
Long-term portion						
2014				4,192,562	(656,054)	3,536,508
2015	4,732,881	(427,929)	4,304,952	2,954,999	(235,174)	2,719,825
2016	2,364,475	(148,857)	2,215,618	596,111	(33,349)	562,762
2017	1,067,122	(31,898)	1,035,224	-	-	-
Long-term portion	**8,164,478**	**(608,684)**	**7,555,794**	**7,743,672**	**(924,577)**	**6,819,095**
	14,198,108	**(1,514,815)**	**12,683,293**	**11,956,457**	**(2,019,939)**	**9,936,518**

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	31 December 2013	31 December 2012
Receivables from non-related parties	**38,189,597**	33,099,720
Receivables from related parties	**30,736,348**	23,108,136
Guarantees and deposits given	**433,031**	443,611
	69,358,976	56,651,467
Less: Provision for doubtful receivables	**(4,319,567)**	(3,772,911)
Less: Unearned credit finance income	**(19,647)**	(24,449)
	65,019,762	52,854,107

Aging analysis for trade receivables

As of 31 December 2013, maturities of trade receivables, for which no bad debt provision has been accounted, are as follows:

	31 December 2013	31 December 2012
Overdue receivables	**32,381,342**	21,695,010
0-30 days maturity	**11,490,886**	9,441,957
31-60 days maturity	**15,181,051**	16,381,932
61-90 days maturity	**5,851,319**	4,402,365
91-120 days maturity	**115,164**	932,843
	65,019,762	52,854,107

Days overdue	31 December 2013	31 December 2012
0-1 month	**13,204,403**	1,240,003
1-3 months	**16,188,973**	13,321,319
3 months and over	**2,987,966**	7,133,688
	32,381,342	21,695,010

TRY 25,686,482 of total overdue receivables comprises receivables from related parties. TRY 5,038,226 these receivables from related parties has been collected until 30 January 2013

Guarantee letters taken from the customers related with trade receivables are amounting to TRY 4,121,398 (31 December 2012: TRY 5,229,145).

Movements of doubtful trade receivables for the year ended 31 December 2013 and 2012 are summarized below:

	2013	2012
1 January	**3,772,911**	3,772,911
Foreign exchange differance	**546,656**	-
31 December	**4,319,567**	3,772,911

On average, credit terms for trade receivables vary between 1 and 3 months (31 December 2012: 1-3 month). The annual effective interest rates applied to trade receivables denominated in EUR, TRY, USD, and GBP as disclosed in Note 27, are 0.26%, 5.25%, 0.24% and 0.52% respectively (31 December 2012: per annum 0.4%, 9.18%, 0.27% and 0.72%).

Trade payables:

	31 December 2013	31 December 2012
Payables from non-related parties	**77,427,459**	55,607,277
Payables from related parties	**1,775,561**	3,462,566
Notes payable	**250,663**	192,920
	79,453,683	59,262,763
Less: Unearned credit finance expense	**(6,787)**	(8,808)
	79,446,896	59,253,955

On average, credit terms for trade payables vary between 1 and 2 months (31 December 2012: 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 27, are 0.23%, 5.25%, 0.21%, and 0.50% respectively (31 December 2012: per annum 0.54%, 12.64%, 0.53%, and 0.85%).

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Short-term other receivables:

	31 December 2013	31 December 2012
Financial receivables from related parties-Componenta Corporation *)	**307,874,401**	18,820,595
Receivables from personnel	**1,808,669**	1,812,710
Guarantees and deposits given	**433,031**	443,611
	310,116,101	21,076,916

Long-term other receivables:

	31 December 2013	31 December 2012
Other receivables from related parties-Componenta Corporation *)	**10,574,113**	212,198,246
	10,574,113	212,198,246

*) The aforementioned amount consists of loans lended to Componenta Corporation amounting to EUR 89,358,799 and GBP 14,708,873 at 31 December 2013 and their accruals. The maturity of loan amounting to EUR 89,358,799 is 30 June 2014 (31 December 2012: The aforementioned amount consists of loans landed to Componenta Corporation amounting to EUR 91,720,000 and 4,530,000 GBP. The maturity of loan amounting to TRY 89,000,000 is 30 June 2015).

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 landed to Componenta Corporation by adding 10% margin on interest rates of loans as a base. Annual effective interest rate of the loans landed to Componenta Corporation is 6.6% for EUR and 5.5% for GBP.

Other payables:

	31 December 2013	31 December 2012
Factoring payables	**1,221,094**	7,197,982
Social security payables	**–**	3,401,777
Related parties payables	**23,653**	68,436
	1,244,747	10,668,195

As of 31 December 2013, the Group factored its receivables amounting to TRY 1,221,094 (31 December 2012: TRY 7,197,982). Credit risk related to these receivables is not transferred.

NOTE 8 – INVENTORIES

	31 December 2013	31 December 2012
Raw materials	**33,341,904**	21,032,948
Work-in-progress	**7,861,391**	4,864,774
Finished goods	**30,515,892**	26,869,502
Other *)	**6,926,341**	6,142,328
	78,645,528	58,909,552
Less: Provision for net realisable value of inventories	**(100,481)**	(241,241)
	78,545,047	58,668,311

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

For the period from 1 January to 31 December 2013, a portion amounting to TRY 250,620,572 of the cost of goods sold is related to raw material and supplies usage (1 January – 31 December 2012: TRY 237,413,497).

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

	2013	2012
1 January	**241,241**	646,179
Utilized during the period	**(241,241)**	(633,549)
Foreign currency translation differences	**66,335**	(7,775)
Provision for diminution in value of inventories during the period	**34,146**	236,386
31 December	**100,481**	241,241

NOTE 9 – PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2013	31 December 2012
Short Term Prepaid Expenses	**1,371,549**	169,326
Other	**998,344**	163,437
	2,369,893	332,763

Long Term Prepaid Expenses

	31 December 2013	31 December 2012
Long Term Prepaid Expenses	**4,223,154**	2,569,156
	4,223,154	2,569,156

NOTE 10 – INVESTMENTS VALUED AT EQUITY METHOD

Investments in associates:

	31 December 2013 Associate		31 December 2012 Associate	
	share %	amount	share %	amount
Kumsan	**25.10**	**3,459,038**	25.10	3,186,441

	2013	2012
1 January– Investments in associates	**3,186,441**	2,780,789
Profit from investments valued at equity method	**378,065**	487,016
Dividend received	**(105,420)**	(90,531)
Foreign currency translation differences	**(48)**	9,167
31 December – Investments in associates	**3,459,038**	3,186,441

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

	31 December 2013		31 December 2012	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	**15,300,155**	**1,519,126**	14,026,060	1,331,076

	1 January – 31 December 2013		1 January – 31 December 2012	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	**13,285,794**	**1,506,237**	12,527,007	1,983,898

NOTE 11 – TANGIBLE ASSETS

	Lands	Buildings and land improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
1 January 2013							
Cost/revalued amount	64,222,757		86,602,649	506,277,789	16,437,419	913,508	11,151,725
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**
For the period ended at 31 December 2013							
Opening net book value	64,222,757		43,077,026	130,009,428	2,425,798	14,735	11,151,725
Additions	-	2,193,424	4,501,117	47,664	6,856,483	6,246,970	19,845,658
Foreign currency translation differences	15,970,348	10,712,015	37,443,860	603,226	3,664	2,773,113	67,506,226
Disposals	-	(175,191)	(15,638,276)	(84,281)	(36,647)	(2,896,751)	(18,831,146)
Depreciation charge	-	(2,394,957)	(14,761,970)	(8,807)	(1,937,712)	-	(19,103,446)
Disposals from accumulated depreciation	-	75,898	17,982,478	84,281	19,902	-	18,162,559
Closing net book value	**80,193,105**	**53,384,388**	**162,757,937**	**3,061,244**	**117,610**	**16,405,183**	**315,919,466**
31 December 2013							
Cost/ revalued amount	80,193,105	99,229,070	531,957,721	16,997,391	6,782,261	16,405,183	751,564,731
Accumulated depreciation	-	(45,844,682)	(373,047,853)	(13,936,147)	(2,816,583)	-	(435,645,265)
Net book value	**80,193,105**	**53,384,388**	**162,757,937**	**3,061,244**	**117,610**	**16,405,183**	**315,919,466**

	Lands	Buildings and land improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
1 January 2012							
Cost/revalued amount	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.

NOTE 11 – TANGIBLE ASSETS (Continued)

	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 25)	(7,300,671)
31 December	**76,980,484**

TRY 21,109,262 (2012: TRY 12,558,741) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TRY 746,778 (2012: 288,974 TRY) to operating expenses.

NOTE 12 – INTANGIBLE ASSETS

	1 January 2013	Addition *)	Foreign Currency Translation Differences	31 December 2013
Cost				
Rights	13,568,105	2,082,102	2,056,716	17,706,923
Accumulated amortization				
Rights	(2,340,806)	(2,752,594)	-	(5,093,400)
Net book value	**11,227,298**			**12,613,523**

*) Addition to intangible assets is related to SAP investment.

	1 January 2013	Addition *)	Foreign Currency Translation Differences	31 December 2013
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**

NOTE 13 – GOODWILL

Goodwill is amounting to TRY 2,919,110 as of 31 December 2012 (2012: TRY 2,386,564). Goodwill has arisen due to the acquisition of Componenta UK shares in 2006.

	2013	2012
1 January	**2,386,564**	2,424,971
Foreign currency translation difference	**532,546**	(38,407)
31 December	**2,919,110**	2,386,564

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	31 December 2013	31 December 2012
Provisions for litigation *)	**4,592,489**	4,603,431
Holiday pay provision	**550,374**	728,378
Provisions for tax penalty **)	**353,149**	707,074
	5,496,012	6,038,883

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

**) The Group has undergone a tax investigation regarding the transactions between January 2007 and June 2010 in terms of reverse charge value added tax and witholding tax. Total tax exposure amounting to 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. The Group have provided a provision for unpaid portion of tax penalty amounting to TRY 353,149 in consolidated financial statements as of 31 December 2013 (31 December 2012: TRY 707,074).

Movements in the provisions as of 31 December 2013 are as follows:

	1 January 2013	Additions	Foreign currency difference	Unutilized portion/utilization	31 December 2013
Provisions for litigation	4,603,428	-		(10,939)	4,592,489
Holiday pay provision	728,381		-	(178,004)	550,374
Provisions for tax penalty	707,074	-	-	(353,925)	353,149
Total	**6,038,883**	**-**	**-**	**(353,925)**	**5,496,012**

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Mortgages And Guarantee Letters Given By The Group:

As of 31 December 2013 guarantees, pledges and mortgages (GPMs) given by the Group are as follows:

	31 December 2013			
	Total TRY Equivalent	Original Currency TRY	Original Currency USD	Original Currency EUR
A. GPMs given on behalf of the Company's legal personality	9,215,120	9,215,120	-	-
B. B. GPMs given in favour of subsidiaries included in full consolidation	None	None	None	None
C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business	None	None	None	None
D. Other GPMs				
i. GPMs given in favour of parent company	None	None	None	None
ii. GPMs given in favour of group companies not in the scope of B and C above.	None	None	None	None
iii GPMs given in favour of third-party companies not in the scope of C above.	None	None	None	None
Total GPMs	**9,215,120**	**9,215,120**	**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 2013 (31 December 2012: 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) Mortgages And Guarantee Letters Given By The Group: (Continued)

As of 31 December 2013 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	None
Total GPMs	**9,179,962**	**9,179,962**	**None**	**None**
Other GPMS	**None**	**None**	**None**	**None**

c) Guarantees Obtained:

			31 December 2013	31 December 2012
Guarantee cheques and notes obtained	4,966,884	5,229,145		
Guarantee letters obtained	4,170,701	4,210,243		
Letters of credit	-	267,952		
Guarantees Obtained			**9,137,585**	9,707,340

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

d) Contingent Assets

The Group's operations between January 2007 and June 2010 from the perspective of stamp duty and corporate tax and stamp duty of corparate tax income tax and valued added tax withholding were analysed and TRY amounting to 4,356,55 a corporate tax, value-added tax, withholding stamp duty, income tax withholding and stamp duty assessments were applied. Group has paid details which is represented in provisions notes, through reservation at the date of 12 August 2013, demanded cancellation of substantially payment and claimed a stay of execution. If Group wins the case, penalty amounting to 4,356,55 which paid at the date of 12 August 2013 will be collected.

NOTE 15 – BENEFITS TO PERSONNEL

Benefits to personnel	31 December 2013	31 December 2012
Payables to personnel	**2,748,995**	1,905,019
Social security payables	**2,225,581**	1,849,610
Personnel income and stamp tax payable	**2,123,088**	1,103,878
	7,097,664	4,858,507

Long term benefits to personnel	31 December 2013	31 December 2012
Provision for employment termination benefits	**22,600,537**	17,242,049
	22,600,537	17,242,049

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 3.254 for each year of service as of 31 December 2013 (31 December 2012: TRY 3.034). 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 2013	31 December 2012
Annual discount rate (%)	**4,06**	4,06
Turnover rate to estimate the probability of retirement (%)	**95**	9

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 3,438, which is effective from 1 January 2013 (1 January 2012: TRY 2,917), has been considered in the calculation.

	2013	2012
1 January	**17,242,049**	16,836,006
Interest expense	**1,777,075**	784,558
Increase during the year	**1,534,687**	909,932
Actuarial (gain)/loss	**4,882,818**	(17,282)
Payments during the year	**(2,836,092)**	(1,271,165)
31 December	**22,600,537**	17,242,049

NOTE 16 – OTHER ASSET AND LIABILITIES

Other current assets:	31 December 2013	31 December 2012
Value Added Tax ("VAT") receivables	**8,056,209**	4,241,328
Receivables from personnel	**4,645,884**	2,212,128
Other value added tax ("VAT") receivables	**2,155,810**	5,678,979
Other	**8,657**	1,149,894
	14,866,560	13,282,329

Other non-current liabilities:	31 December 2013	31 December 2012
Expense accruals	**7,188,497**	4,413,954
Deferred income	**823,322**	556,947
Advances received	**205,339**	-
VAT to be returned	**-**	1,470,881
Other	**1,090,892**	807,142
	9,308,050	7,248,924

NOTE 17– SHAREHOLDERS' EQUITY

The composition of the Company's statutory paid-in capital at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	Shareholding percentage (%)	31 December 2012	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**

The Company has 66,844,800.000 shares (31 December 2012: 66,844,800,000 shares) each with the nominal value of Kr 0.1 as of 31 December 2013. The Company has no privileged shares.

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

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

In accordance with Capital Market Board Financial Reporting Standards, above-mentioned amounts should be classified under "Restricted Reserves". "Restricted Reserves" amount to TRY 5,786,834 as of 31 December 2013 (31 December 2012: 23,23,240,986 TRY).

The Group distributed dividends amounting to TRY 47,747,050 to shareholders at the date of 5 May 2013. The Group started the distribution of cash dividends commencing from the date of 23 May 2013.

NOTE 18 – REVENUE

	1 January – 31 December 2013	1 January – 31 December 2012
Export sales	**480,868,204**	432,104,555
Domestic sales	**160,163,125**	182,979,490
Other sales	**16,043,379**	18,130,205
Sales revenue (gross)	**657,074,708**	633,214,250
Less: Discounts and returns	**(21,418,122)**	(20,280,284)
Sales revenue (net)	**635,656,586**	612,933,966
Cost of sales	**(499,410,008)**	(494,617,218)
Gross operating income	**136,246,578**	118,316,748

NOTE 19 – RESEARCH AND DEVELOPMENT EXPENSES; MARKETING, SALES AND DISTRIBUTION EXPENSES; GENERAL ADMINISTRATIVE EXPENSES

Marketing Expenses:

	1 January – 31 December 2013	1 January – 31 December 2012
Insurance premiums related to freight and customs procedures	**(19,122,074)**	(19,622,872)
Packaging	**(13,464,623)**	(13,234,295)
License fees	**(9,015,090)**	(9,909,975)
Transportation	**(3,243,292)**	(3,304,603)
Personnel	**(2,481,835)**	(2,169,520)
Warehousing	**(2,077,673)**	(2,612,712)
Sales commissions	**(112,623)**	(52,837)
Other	**(480,581)**	(2,247,119)
	(49,997,791)	(53,153,933)

General administrative expenses:

	1 January – 31 December 2013	1 January – 31 December 2012
Service charges by parent company	**(15,144,819)**	(16,613,379)
Personnel	**(12,769,256)**	(9,250,610)
Depreciation and amortization	**(746,778)**	(288,974)
Subcontractor expenses	**(1,271,701)**	(1,155,592)
Taxes and stamp duty	**(1,239,293)**	(404,389)
Auditing and legal counseling expenses	**(1,742,802)**	(2,134,586)
Repair, maintenance and cleaning	**(482,567)**	(446,897)
Subscriptions	**(410,866)**	(383,769)
Travel	**(182,724)**	(151,231)
Public holiday pay provision	**(61,096)**	-
Notification payments	**(20,850)**	(283,437)
Other	**(4,971,808)**	(4,214,438)
	(39,044,560)	(35,327,302)

Research and development expenses:

	1 January – 31 December 2013	1 January – 31 December 2012
Personnel	**(2,249,195)**	(2,082,404)
Research and development project expenses	**(168,305)**	(76,980)
Other	**(52,913)**	(46,200)
	(2,470,413)	(2,205,584)

NOTE 20 – EXPENSES BY NATURE

	1 January – 31 December 2013	1 January – 31 December 2012
Raw material and supplies	**250,620,572**	237,413,497
Personnel	**129,559,206**	107,087,541
Energy	**59,410,714**	56,792,605
General production expenses	**57,510,571**	65,642,893
Depreciation and amortization	**21,109,262**	12,847,715
Transportation, commission and insurance expenses	**22,365,365**	24,338,663
Service charges by parent company	**15,144,819**	16,613,379
Packaging	**13,464,623**	13,234,295
License fees	**9,015,090**	9,909,975
Warehousing	**2,077,673**	2,612,712
Other	**10,644,877**	38,793,481
	590,922,772	585,286,756

NOTE 21 – OTHER INCOME/EXPENSES

Other operating income:

	1 January – 31 December 2013	1 January – 31 December 2012
Income due to cancellation of provision for VAT to be returmed	**31,362,117**	2,284,387
Insurance damage incomes	**667,884**	919,845
Service charges to parent company *)	**319,262**	256,375
Income due to cancellation of provision for VAT to be returned	**-**	1,975,498
Collectible incentive premium	**-**	48,956
Income due to cancellation of provisions	**-**	5,000
Other	**677,371**	952,384
	33,026,634	6,442,445

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

Other operating expense:

	1 January – 31 December 2013	1 January – 31 December 2012
Other operating interest and foreign exchange loss	**(7,341,948)**	(4,262,956)
Tax penalty expense *)	**(5,454,666)**	-
Rework expenses	**(2,968,505)**	(1,214,800)
	(1,214,800)	(2,992,380)

*) The Group's operations between January 2007 and June 2010 from the perspective of stamp duty and corporate tax and stamp duty of corparate tax income tax and valued added tax withholding were analysed and TRY amounting to 4,356,553 a corporate tax, value-added tax, withholding stamp duty, income tax withholding and stamp duty assessments were applied. Group has paid details which is represented in provisions notes, through reservation at the date of 12 August 2013, demanded cancellation of substantially payment and claimed a stay of execution. If Group wins the case, penalty amounting to 4,356,553 which paid at the date of 12 August 2013 will be collected.

NOTE 22 – FINANCIAL INCOME

	1 January – 31 December 2013	1 January – 31 December 2012
Interest income	**17,947,274**	8,549,343
Foreign exchange gain	**2,425,092**	2,463,676
Other	**-**	129,746
	20,372,366	11,142,765

NOTE 23 – FINANCIAL EXPENSE

	1 January – 31 December 2013	1 January – 31 December 2012
Interest expenses	**(15,380,165)**	(11,069,911)
Foreign exchange losses	**(14,003,004)**	(2,438,365)
Factoring expenses	**(12,614,452)**	(10,774,155)
Employee termination interest expense	**(1,777,075)**	-
Finance leasing interest expenses	**(1,006,373)**	(881,960)
Other	**(2,514,407)**	(1,493,439)
	(47,295,476)	(26,657,830)

NOTE 24 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

NOTE 25 – TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	1 January – 31 December 2013	1 January – 31 December 2012
Corporate taxes payable	**5,990,538**	2,594,867
Prepaid taxes	**(6,553,095)**	(6,187,591)
Tax provision/ (Prepaid tax)	**(562,557)**	(3,592,724)

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 2013 is 20%. (2012: 20%). Corporate tax rate for the subsidiary of the Group in England is 24% (2012: 24%).

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 2013 and 2012 are as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Current period tax charge	**(5,990,538)**	(2,594,867)
Deferred tax expense	**(5,130,472)**	(1,633,973)
Total taxation expense	**(11,121,010)**	(4,228,840)

NOTE 25 – 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 2012: 20%). The tax rate applied to the Group's subsidiary in United Kingdom is 24% (31 December 2012: 24%).

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2013 and 31 December 2012, were as follows:

	Cumulative temporary		Deferred tax assets / differences (liabilities)	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	**118,626,781**	73,542,030	**(23,725,356)**	(14,708,406)
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles payments (Note 16)	**63,703,730**	63,703,730	**(3,185,186)**	(3,185,186)
Provision for employment termination benefits and notification payments (Note 16)	**20,577,425**	20,577,425	**(4,115,485)**	(4,115,485)
Net difference between the tax base and carrying value of inventories	**(22,600,537)**	(17,242,049)	**4,520,107**	3,448,410
Holiday pay provision	**9,844,188**	731,539	**(1,968,838)**	(146,308)
Timing differences in recognition of revenue	**(627,208)**	(728,378)	**125,442**	145,676
Legal provisions	**(1,738,644)**	(341,062)	**347,729**	68,212
Provision for doubtful receivables	**(2,987,157)**	(3,317,799)	**597,431**	663,560
Price differences	**(4,349,194)**	(3,483,058)	**869,839**	696,612
Other	**(354,574)**	(280,734)	**70,915**	56,147
	(4,039,021)	(2,608,717)	**807,803**	521,743
Deferred tax liabilities – net	**(25,655,599)**		**(16,555,025)**	

NOTE 25 – TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Movements of deferred tax liability can be analyzed as follows:

	2013	2012
1 January	**(16,555,025)**	(7,582,296)
Current period deferred tax income	**(5,130,472)**	(1,633,973)
Charged to equity	**(840,589)**	(7,300,671)
Foreign currency translation differences	**(3,129,513)**	(38,085)
31 December	**(25,655,599)**	(16,555,025)

The reconciliation of the taxation on income in the consolidated statement of income for the periods ended 31 December 2013 and the taxation on income calculated with the current tax rate over income from continuing operations before tax is as follows:

	2013	2012
Net income before tax	**26,431,795**	19,050,957
Effective tax rate	**20%**	20%
Provision for corporate tax calculated by effective tax rate	**(5,286,359)**	(3,810,191)
Effect of tax rate difference between England and Turkey	**25,678**	65,761
Effect of share in associates	**(21,573)**	34,491
Effect of disallowable expenses	**(74)**	(479,656)
Effect of discounts	**(356,601)**	64,636
Foreign currency translation differences	**(5,150,928)**	
Other	**(331,153)**	(103,881)
Tax provision	**(11,121,010)**	(4,228,840)

NOTE 26 – 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 2013	31 December 2012
Componenta Främmestad AB	**23,767,449**	15,518,786
Componenta Finland Oy Högfors	**3,027,806**	5,379,936
Componenta B.V.	**2,192,517**	1,309,934
Componenta.B.V.Weert Machine Shops	**1,578,776**	831,984
Componenta Corporation	**169,546**	67,496
Other	**254**	-
	30,736,348	23,108,136

ii. Other Receivables:

a) Short-term other receivables:

	31 December 2013	31 December 2012
Financial receivables-Componenta *) (Note 7)	**307,874,401**	18,820,595
Due from personnel	**1,808,669**	1,812,710
	309,683,070	20,633,305

b) Long-term other receivables:

	31 December 2013	31 December 2012
Financial receivables-Componenta *) (Note 7)	**10,574,113**	212,198,246
	10,574,113	212,198,246

*) The aforementioned amount consists of loans lended to Componenta Corporation amounting to EUR 89,358,799 and GBP 14,708,873 and their accruals. The maturity of loan amounting to EUR 89,358,799 is 30 June 2014 (31 December 2012: 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.)

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 26 – RELATED PARTY DISCLOSURES (Continued)

b) Trade payables to related parties:

	31 December 2013	31 December 2012
Componenta Corporation	**1,103,143**	2,445,776
Kumsan A.Ş.	**497,005**	463,939
Componenta B.V.	**117,622**	97,586
Componenta Finland Ltd Pietarsaari	**43,035**	264,652
Componenta Finland Ltd Högfors	**7,422**	93,719
Componenta Främmestad AB	**547**	88,086
Other	**-**	-
	1,768,774	3,453,758

c) Short-term other payables to related parties:

	31 December 2013	31 December 2012
Due to personnel	**2,748,994**	1,905,019
Due to shareholders	**23,653**	68,436
	2,772,647	1,973,455

d) Sales to related parties:

Detailed breakdown of sales to related parties for the period between 1 January – 31 December 2013 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
Compponenta B.V.Weert Machine Shop	603,064	4,792	-	607,856
Componenta Corporation	-	-	265,057	265,057
Componenta Finland Ltd Pietarsaari	3,071	-	-	3,071
	46,471,340	**1,650,538**	**265,057**	**48,386,935**

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	51,485,271	965,714	-	52,450,985
Componenta Finland Ltd Högfors	7,059,614	-	-	7,059,614
Componenta B.V.	4,341,740	-	-	4,341,740
Componenta B.V.Weert Machine Shop	2,523,552	159,373	-	2,682,925
Componenta Corporation	-	-	319,261	319,261
	65,410,177	**1,125,087**	**319,261**	**66,854,525**

e) Goods and services received:

Detailed breakdown of purchases from related parties for the period between 1 January - 31 December 2013 are as follows:

	Cost of license	Service of management	Other	Total
Componenta Corporation	6,843,140	15,144,819	-	21,987,959
Kumsan A.Ş.	-	-	1,419,976	1,419,976
Componenta B.V.	-	-	1,060,273	1,060,273
Componenta Finland Ltd Pietarsaari	-	-	670,913	670,913
Componenta Främmestad AB	-	-	153,659	153,659
Componenta Finland Ltd Högfors	-	-	94,789	94,789
	6,843,140	**15,144,819**	**3,399,610**	**25,387,569**

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**

f) Financial income:

	1 January– 31 December 2013	1 January– 31 December 2012
Componenta Corporation	**15,482,765**	10,210,658
Interest obtained from personnel	**87,902**	156,167
Dividend income	**105,420**	90,360
	15,676,087	10,457,185

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 2013	1 January-31 December 2012
Short-term benefits	**2,237,762**	6,128,047
Other long-term benefits	**210,018**	895,200
Benefits after retirement	**-**	153,451
Total	**2,447,780**	7,176,698

NOTE 27 – 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 rate risk of the Group is derived from financial liabilities which have short and long term maturity

	31 December 2013	31 December 2012
Financial instruments with fixed interest rate		
Financial assets	**26,802,660**	40,943,772
Financial liabilities	**350,700,936**	238,168,356
Financial instruments with variable interest rate		
Financial assets	**262,402,112**	211,478,848
Financial liabilities	**12,683,293**	9,936,518

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 2013, 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 2,497,379 (31 December 2012: TRY 403,986).

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 2013 and 2012 is as follows:

	Receivables					
31 December 2013	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)	30,736,348	32,638,420	320,257,183	433,031	26,338,463	410,403,445
Guaranteed portion of the maximum risk	-	4,170,701	-	-	-	4,170,701
A. Net book value of the assets that are not due or that are not impaired	**30,736,348**	**32,638,420**	**320,257,183**	**433,031**	**26,338,463**	**410,403,445**
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)		**32,381,342**				
- Guaranteed portion	-	-	-	-	-	-
D. Net book value of the assets impaired	-	4,319,567	-	-	-	-
Overdue (gross book value)	-	(4,319,567)	-	-	-	-
Impaired (-)	-	-	-	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-	-
Not due (gross book value)	-	-	-	-	-	-
Impaired (-)	-	-	-	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-
E. Off balance sheet items with credit risk	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 27 – CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit Risk (Continued)

	Receivables					
31 December 2013	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	-	3,772,911	-	-	-	-
Overdue (gross book value)		(3,772,911)				
Impaired (-)	-	-	-	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-	-
Not due (gross book value)						
Impaired (-)	-	-	-	-	-	-
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 181.716.00 that the Group can utilize whenever needed, and a factoring agreement of EUR 23.4 million, USD 65 million and TRY 51 million.

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

NOTE 27 – CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity Risk (Continued)

	31 December 2013						
	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	350,700,936	355,493,376	6,651,190	256,688,871	92,153,315	-	-
Finance lease liabilities	12,683,293	13,589,424	2,011,210	4,022,420	7,555,794	-	-
Total	**363,384,229**	**369,082,800**	**8,662,400**	**260,711,291**	**99,709,109**	**-**	**-**

	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 2013					
	Net book value	Expected total cash outflows	Less than 3 months	3-12 months	1-5 years	Cash
Expected terms						
Non-derivative financial liabilities						
Trade payables	79,446,896	79,453,683	79,453,683	-	-	-
Other payables	1,244,747	1,244,747	1,244,747			
Other liabilities	13,565,517	13,565,517	13,565,517	-	-	-
Total	**94,257,160**	**94,263,947**	**94,263,947**	**-**	**-**	**-**

	31 December 2012					
	Net book value	Expected 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**	**-**	**-**	**-**

NOTE 27 – 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 2013 and 2012.Book value of foreign currency denominated assets and liabilities held by the Group are as follows:

	31 December 2013	31 December 2012
Total export	**382,069,375**	421,524,415
Total import	**93,488,852**	104,885,250
Hedging ratio of foreign currency position	**0%**	0%

NOTE 27 – CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign currency position									
	31 December 2013					31 December 2012				
	TRY Equivalent (Functional Currency-EUR)	USD	TRY	GBP	SEK	TRY Equivalent (Functional Currency-TRY)	USD	EUR	GBP	SEK
1. Trade Receivables	39,882,157	133,191	(241,761)	11,345,802	-	425,662	17,457	-	385,256	-
2a. Monetary Financial Assets										
including Cash, Banks accounts)	4,993,137	1	4,977,673	4,403	-	14,207,163	1,646,476	9,495,923	370,901	-
2b. Non-monetary Financial Assets	-	-	-	-	-					
3. Other	1,808,670	-	1,808,669	-	-	1,942,577	-	1,942,577	-	-
4. Current Assets (1+2+3)	**46,683,963**	**133,192**	**6,544,582**	**11,350,205**	**-**	**16,575,402**	**1,663,933**	**11,438,500**	**756,157**	**-**
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)	**46,683,963**	**133,192**	**6,544,582**	**11,350,205**	**-**	**16,575,402**	**1,663,933**	**11,438,500**	**756,157**	**-**
10. Trade Payables	66,854,664	4,597,375	55,909,615	322,627	-	48,789,325	3,277,698	41,681,848	440,523	-
11. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	6,201,299	-	4,387,649	631,758	-
12b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term Liabilities (10+11+12)	66,854,664	4,597,375	55,909,615	322,627	-	54,990,624	3,277,698	46,069,497	1,072,281	-
14. Trade Payables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
15. Financial Liabilities	9,731,200	1,011,336	7,572,704	-	-	19,419,826	6,489,572	7,851,514	-	-
16 a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16. b Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term Liabilities (14+15+16)	9,731,200	1,011,336	7,572,704	-	-	19,419,826	6,489,572	7,851,514	-	-
18. Total Liabilities (13+17)	76,585,864	5,608,711	63,482,319	322,627	-	74,410,450	9,767,270	53,921,011	1,072,281	-
19. Net Asset / (Liability) Position of the Off-Balance-Sheet										
Foreign Exchange Based Derivatives (19a-19b)	(85,053,740)	-	(53,100,000)	(9,100,000)	-	(84,486,041)		(66,400,000)	(6,300,000)	-
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	85,053,740	-	53,100,000	9,100,000	-	84,486,041	-	66,400,000	6,300,000	-
20. Net foreign exchange Assets/(Liability)										
Pozition (9-18+19)	(114,955,641)	(5,475,519)	(110,037,737)	1,927,578	-	(142,321,089)	(8,103,337)	(108,882,511)	(6,616,124)	-
21. Net foreign exchange Assets/(Liability)										
Position of the monetary items										
(UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)	(31,710,570)	(5,475,519)	(58,746,407)	11,027,578	-	(48,615,581)	(8,103,337)	(44,425,088)	(316,124)	-
22.Total Export	382.069.375	382,069,375	89,297,591	17,465	-	30,859,029				
23. Total İmport	93,488,851	93,488,851	71,499,302	39,850,475	14,177					

NOTE 27 – CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2013	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	(397,970)	397,970	-	-
1. USD net asset/liability				
2. Hedged from the USD risk (-)				
3. USD Net Effect (1+2)	**(397,970)**	**397,970**	-	-
10% change in EUR against TRY				
4. EUR net asset/liability	(1,938,966)	1,938,966	-	-
5. Hedged from the EUR risk (-)	(1,808,275)	1,808,275		-
6. Net EUR Effect (4+5)	**(3,747,241)**	**3,747,241**	-	-
10% change in GBP against EUR				
7. GBP net asset/liability	1,318,653	(1,318,653)	-	-
8. Hedged from the GBP risk (-)				
9. Net GBP Effect (7+8)	**1,318,653**	**(1,318,653)**		
Total (3+6+9)	**(2,826,558)**	**2,826,558**	-	-

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	(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 EUR				
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 27 – 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 2013	31 December 2012
Financial liabilities	**363,384,229**	330,134,455
Less: Cash and cash equivalents (Note 4)	**(26,802,660)**	(40,943,772)
Net liability	**336,581,569**	289,190,683
Total equity	**333,271,867**	302,960,456
Financial liabilities/equity ratio	**101%**	95%

NOTE 28 – 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 28 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGING DISCLOSURES) (Continued)

	31 December 2013		31 December 2012	
	Contractual Amount	Current Value	Contractual Amount	Current Value
Derivative foreign exchange financial instruments				
Forward foreign exchange sales transactions -EUR	53,100,000	(367,012)	29,407,011	(478,266)
Forward foreign exchange sales transactions -GBP	3,800,000	(118,371)	18,086,040	189,041
Exchange rate swap buying transactions	11,575,000	(3,107,500)		
		(3,592,883)		**(289,225)**

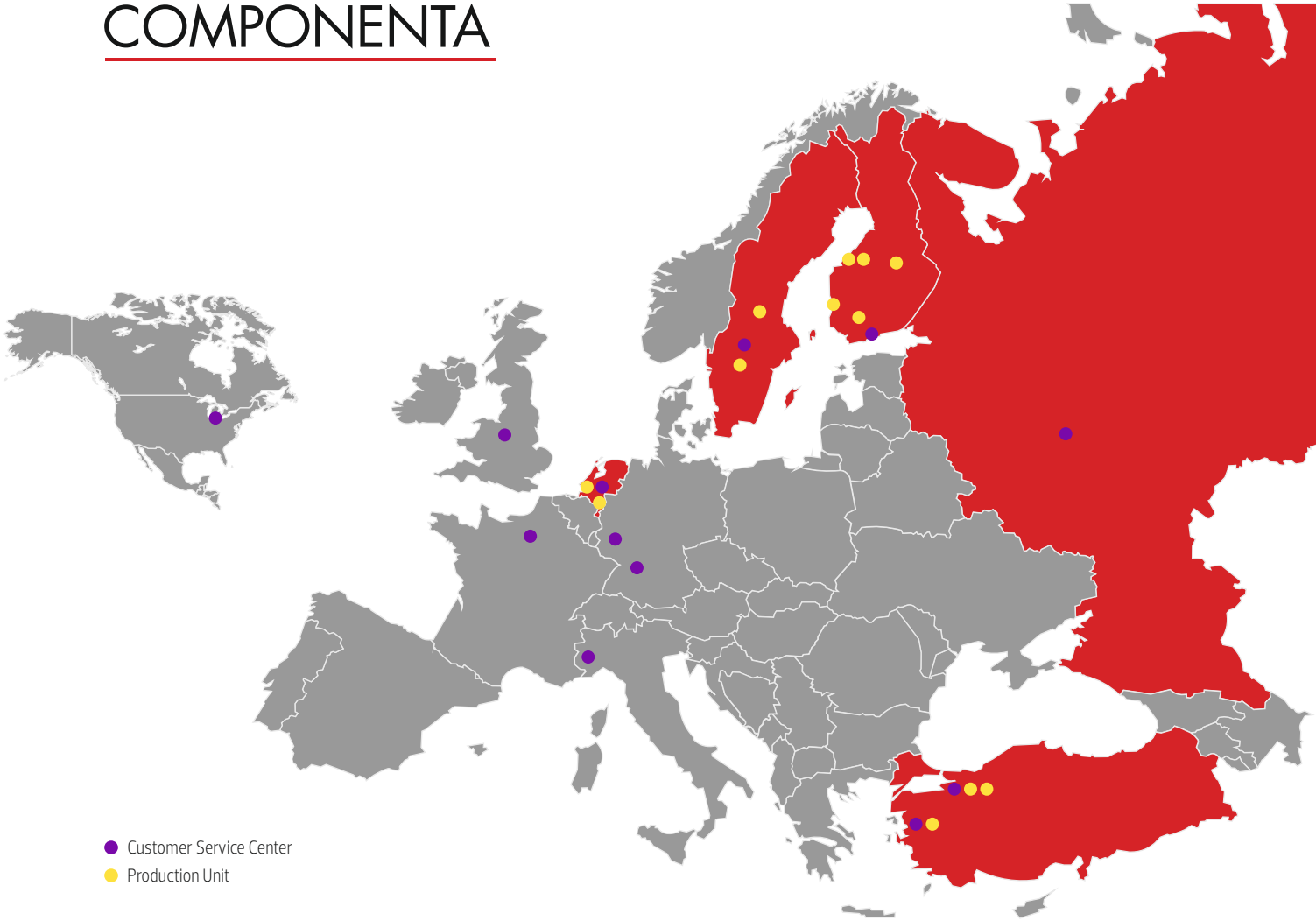
As of 31 December 2013, the Group has forward foreign exchange purchase agreements that have a total value 53,100,000 TRY against 17,883,630 EUR, 3,800,000 GBP against 4,557,666 EUR forward foreign exchange sale agreements that have a total value. With regard to these contracts, an income accrual of 3,592,883 TRY is recognized in consolidated financial statements. (31 December 2012: TRY 289,225 income accrual). In addition to this with regard to swap contracts for loans amounting to 11,575,000 TRY, an income accrual of 3,107,500 TRY is recognized in consolidated financial statements

NOTE 29 – EARNINGS PER SHARE

For 1 January – 31 December 2013 and 1 January – 31 December 2012 accounts terms, weighted average of Group's share and profit accounts for unit share:

	31 December 2013	31 December 2012
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)	**15,310,785**	
	14,822,120	
Earnings per share with nominal value of TRY 0.01(1 KR)	**0,2290**	0,2217

COMPONENTA



Head Office

Panuntie 4
FI–00610, Helsinki
Finland
Tel. +358 10 403 00
Fax +358 10 403 2721
Contact information for all our locations can be found in the Internet at www.componenta.com

Componenta in Turkey

Head office & Iron Foundry
Gölyolu no:26 (PK18) Orhangazi
16801 Bursa
Turkey
Tel. +90 224 573 4263
Fax +90 224 573 4273,
+90 224 573 5458

Aluminium Plant (Die Casting & Wheels)
Organize Sanayi Bölgesi
Sakarya Cad. no:14
Manisa
Turkey
Tel +90 236 233 8057
Fax +90 236 233 8051

Orhangazi MS
Gölyolu no:26 (PK18) Orhangazi
16801 Bursa
Turkey
Tel. +90 224 573 4263
Fax +90 224 573 4273,
+90 224 573 5458

Componenta UK Ltd.
Unit 3, Upper Keys Business Park
Keys Park Road
Hednesford
Staffordshire
WS12 2GE
UK
Tel. +44 1543 495555
Fax +44 8700 512 061

Componenta Dökümcülük Ticaret ve Sanayi A.Ş.

www.componenta.com