COMPONENTA
Casting Future Solutions

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

ANNUAL REPORT 2016

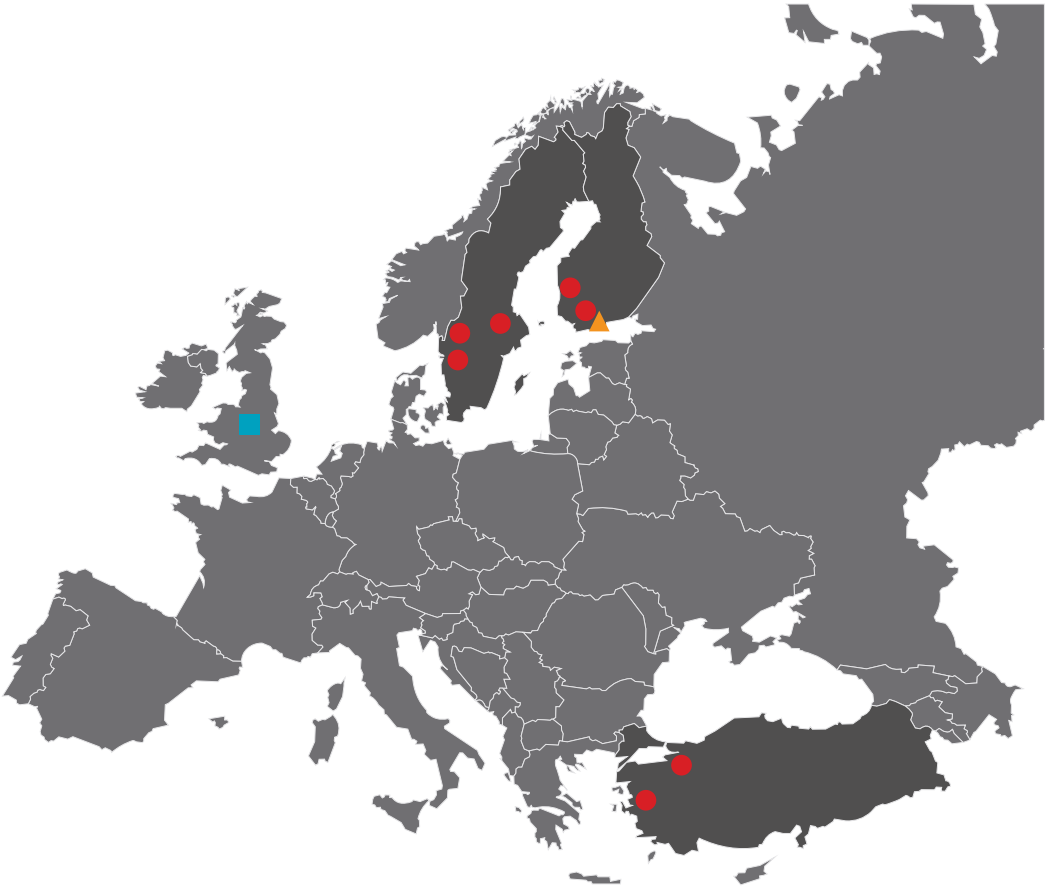
Contents

Componenta group in brief
(Componenta Corporation / Finland)

The foundation for all of our processes and ways of operating is our goal to be our customers' preferred casting solution 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, well-being and safety.

Componenta is a major casting solution provider in Europe. We know our customers' business 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, 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. Componenta's production units are located in Finland, Turkey and Sweden and the company operates customer service centre in those three countries as well as in the United Kingdom.

In 2016 Componenta's net sales amounted to EUR 404 million and the number of employees to 3,350. Componenta Corporation shares are quoted on the Helsinki Stock Exchange and and the shares of Componenta's Turkish subsidiary Componenta Dökümcülük Tic. ve San. A.Ş, are quoted on the Istanbul Stock Exchange.



● Production unit

■ Sales

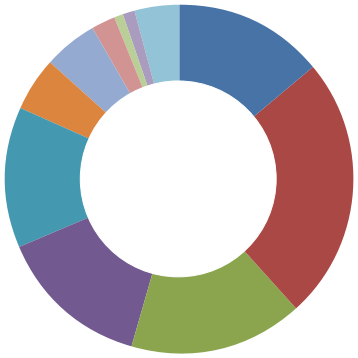
▲ Head office

Operations of Componenta Turkey

Net sales by market area

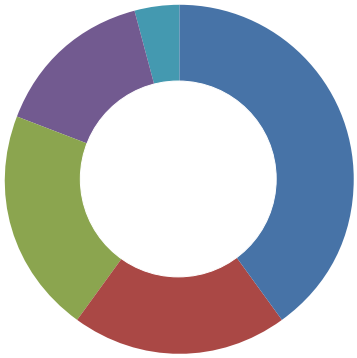
MTL	1–12/2016	1–12/2015
Turkey	101.6	208.4
Germany	175.4	184.4
Sweden	115.0	108.8
Italy	98.3	88.2
UK	96.8	80.2
France	35.0	32.1
USA	32.8	32.1
Poland	17.3	16.0
Netherlands	10.5	10.9
Belgium	8.8	8.0
Other countries	31.4	32.5
Total	723.1	801.6

Net sales by market area



- Turkey 14% (26%)
- Germany 24% (23%)
- Sweden 16% (14%)
- Italy 14% (11%)
- UK 13% (10%)
- France 5% (4%)
- USA 5% (4%)
- Poland 2% (2%)
- Netherlands 1% (1%)
- Belgium 1% (1%)
- Other countries 5% (4%)

Sales by customer industry



- Automotive 40% (34%)
- Construction & Mining 20% (19%)
- Agriculture 21% (20%)
- Heavy Trucks 15% (23%)
- Machine Building 4% (4%)

Our mission and values

Componenta's mission is Casting Future Solutions and our vision is to be the preferred casting solutions provider for our customers locally and globally. All of our operations are based on our common values and sustainability principles.

In order to realise our vision we must be a profitable and efficient industry expert and manufacturer and we must continuously develop our business to grow with our globally operating customers. The foundation of Componenta's strategy lies in the Group's strengths: diverse production potential, broad product portfolio, services that cover the complete supply chain and longterm customer relationships. We create added value for our customers through comprehensive solutions that combine engineering, casting, machining, surface treatment and/or logistics according to the customers' needs.

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.


AGS

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.'NİN

Message from Chairman of the Board of Directors

Dear Shareholders,

Welcome to the Ordinary General Assembly in which Componenta Dökümcülük A.Ş.'s financial statements and operations concerning fiscal year 2016 will be discussed. We thank you for the attention you have shown and greet you all respectfully.

2016 ECONOMIC OUTLOOK

Overshadowed by terrorism, regional and global incidents Turkish economy left a quite difficult year behind. Overall growth, which showed a solid performance with the contribution of strong internal demand during the first half of the year, narrowed by 1.8% in the 3rd quarter due to coup attempt, losses in tourism and geopolitical issues. Turkish economy grew by 2.9% in 2016 after posting a 3.5% rate of growth during the last quarter. Although this rate was remarkable, it was still behind of medium and long-term plans.

US dollar exchange rate, which has been started to expand due to Fed interest rate hike expectations, surged in a row based on the uncertainty after presidential elections in US and political tension in Turkey. Accordingly Turkish Lira depreciated almost 20% against US dollar. The CBRT dollar buying rate realized at 2.9076 TL at the end of 2015 closed the year at 3.5192 TL with an increase of 21%. As a result of world economic sentiment turning against emerging economies three leading rating agencies to downgraded Turkey's credit score.

COMPONENTA DÖKÜMCÜLÜK TİC. ve SAN. A.Ş. IN 2016

Beside local challenges 2016 has been a tough year also for our parent company and turbulance was perceived by all units. However, this situation triggered for a change from the existing centralized management approach into a new understanding of management in which Turkey operations' interests are prioritized. Thus, the company has reached a structure where the board chairman and majority of its members are Turkish. With the measures taken the negative effects

of the challenges in parent company were avoided in the first half of the year and activities were carried out in a healthy manner.

Nevertheless, on 1 September 2016 parent company Componenta Corporation's statement regarding to bankruptcy in Dutch premises and debt restructuring in Sweden and Finland has financially landed Turkey operations again. The members of the board and senior management have made great efforts for the sustainability of the company by taking necessary actions. To provide a permanent solution our Board of Directors imposed sanction to release Componenta Dökümcülük shares owned by parent company Componenta Corporation up for sale and to capitalize the revenue generated from sales of shares.

Componenta announced on 7 October 2016 that Componenta Corporation plans to sell its shareholding in Componenta Dökümcülük. It was stated in Componenta's interim report Q3/2016 that Componenta Corporation's application for corporate restructuring on 1 September 2016 gave the Turkish club loan banks the right to use the voting rights of the Componenta Dökümcülük shares which the company owns and gave the banks in August 2016 as collateral, as well as the right to begin the process of selling the shares. The sales of Componenta Dökümcülük shares, owned by Componenta Corporation and pledged to club loan banks, is followed by investment company.

Company's creditor club loan banks are heavily working to find a proper solution for Componenta Dökümcülük. The senior management of the club loan banks have noted that they will continue to support Componenta Dökümcülük in order to protect the company's production and strong position for Turkish and global markets.

Orhangazi Foundry and Machine Shop

In comparison with 2015, sales volume in Orhangazi Foundry decreased from 104,289 tons to 96,405 tons or by 8% whereas net sales of Orhangazi business units decreased from 511,7 M TL to 461,1 M TL or by 10%.

Manisa Aluminium Foundry

In comparison with 2015, sales increased from 7,878 tons to 8,035 tons or by 2% whereas net sales decreased from 134,8 M TL to 131,1 M TL or by 3%.

Manisa Aluminium Wheels

In comparison with 2015, sales decreased from 1,303,727 units to 1,112,903 units or by 15% whereas net sales decreased from 155,1 M TL to 130,9 M TL or by 16%.

EXPORT and IMPORT OPERATIONS

Export operations which were 197 MEUR in 2015 narrowed by 10% and reached to 176,8 MEUR. Import operations on the other hand decreased from 49 MEUR to 36,2 MEUR in 2016.

INVESTMENTS

In 2016 investments for capacity increase, environment and maintenance were 2,4 MEUR in Orhangazi Foundry and Machine Shop. In the Manisa Aluminium and Wheels business units new factory building

construction and renovation investment amounting to 16,1 MEUR has been realized. Total capital expenditure was 18,5 MEUR in 2016.

FINANCIAL RESULTS

Consolidated operating results of our company for 2016 have been prepared in line with Capital Market Law, The Notification Series II, No: 14.1 and in accordance with the International Financial Reporting Standards. In comparison with 2015 with decrease of 10% the actual net sales were 723,144,289 TRY and the actual gross margin has been 121,483,298 TRY (2015: 158,916,598 TRY), whereas operating profit has been realized as 27,977,615 TRY (2015: 80,791,150 TRY). Reference to IFRS report of 2016 the reserved depreciation and amortization expense has been 27,456,985 TRY and loss after taxes realized as (32,216,303)TRY whereas this figure was 24,402,622 TRY profit in 2015.

Despite all financial difficulties encountered either during 2016 or within Q1/2017 the company strongly collaborated with its customers, suppliers, creditor banks and employees to sustain production and has proved its continuity without losing any customers. We are convinced that after the completion of sales process company will continue on its way with a stronger structure along with capital inflows.

Dear Shareholders, we have now summarized the financial consequences of 2016 operations to your kind attention. In order to develop our profitability and competitiveness, we will proceed on our way with measures taken during 2016. Hoping that upcoming years will be auspicious both for Turkey and our company, we provide you with the Balance Sheet and Income Statement of Componenta Dökümcülük A.Ş. and greet your Honourable Committee respectfully.

Tezcan YARAMANCI
Chairman of Board of Directors
Componenta Dökümcülük Tic. ve San. A.Ş.

	2016	2015	2014	2013	2012
Orhangazi Foundry and Machine Shop Business Units					
Capacity (tons)	150,000	170,000	170,000	180,000	180,000
Production (tons)	96,766	106,830	109,115	105,881	116,070
Sales (tons)	96,405	104,289	106,526	103,455	112,309
Sales (MTRY)	461.1	511.7	519.5	443.5	443.5
Operating profit (MTRY) *)	(14.9)	49.7	35.3	55.1	25.0
Manisa Aluminium Die Casting Business Unit					
Capacity (tons)	12,400	10,875	10,500	10,500	14,400
Production (tons)	7,839	8,192	7,144	6,496	5,713
Sales (tons)	8,035	7,878	7,019	6,334	5,669
Sales (MTRY)	131.1	134.8	111.9	92.8	74.5
Operating profit (MTRY)	16.1	11.0	8.0	10.1	4.2
Manisa Wheels Production Business Unit					
Capacity (units)	1,440,000	1,440,000	1,440,000	1,440,000	1,560,000
Production (units)	1,044,244	1,332,342	1,291,000	1,052,819	1,111,585
Sales (units)	1,112,903	1,303,727	1,246,241	1,047,503	1,120,698
Sales (MTRY)	130.9	155.1	128.5	99.4	95.0
Operating profit (MTRY)	26.8	20.1	14.5	14.0	5.4
Componenta Dökümcülük A.Ş. Total					
Sales (MTRY)	723.1	801.6	760.0	635.7	612.9
Operating profit (MTRY)	28.0	80.8	57.8	79.2	34.6
Export					
Export MEUR	176.8	197.0	204.0	190.0	182.0
Investments					
Investments MEUR	18.5	26.6	12.7	7.7	10.9

*) (398.3) MTL bad debt from intra group companies

Message from Managing Director

Consolidated net sales of Componenta Dökümcülük Tic. ve San. A.Ş. decreased to 216.7 MEUR in 2016 from 265.7 MEUR in 2015. All business units' sales and production volumes of Componenta Dökümcülük declined due to weaker liquidity arising after the bankruptcy and restructuring processes of parent company and its other subsidiaries.

Total number of personnel decreased to 255 white collars and 2,207 blue collars (including leased personnel) in 2016 compared to 299 white collars and 2,361 blue collars (including leased personnel) in 2015. The headcount decreased by 198 employees – in net representing 7% of the total.

Componenta in Turkey consists of four business units; Iron Foundry and Machine Shop in Orhangazi, Aluminum Foundry and Wheels in Manisa. In addition, there is one subsidiary Componenta UK, 100% owned subsidiary carrying out commercial activities in the United Kingdom and one associated company Kumsan Döküm Malzemeleri San. Ve Tic. A.Ş., 25.1% a sand manufacturer located in Turkey.

Compared to 2015 the share of automotive business area in total sales increased from 34% to 40% in 2016

whereas the share of agricultural machinery business increased from 20% to 21%. Also the share of construction and mining business area increased from 19% to 20%. On the other hand, the share of machine building business area remained 4% as the same as previous year and the share of heavy trucks

business area decreased from 23% to 15%. 63% of total Turkey sales were generated from Orhangazi business units and 74% of total Turkey sales refer to export operations.

Orhangazi Foundry

Orhangazi Foundry which is the Turkey largest iron foundry, realized sales of 96,405 tons in 2016 as compared to sales of 104,289 tons as in 2015. Accordingly, net sales in 2016 was 127,1 MEUR, a lower level than in 2015 (150 MEUR). Share of export of total sales was around 76% and the share of domestic sales was 24%.

Volume and order book outlook during the first half of 2016 was slightly better than 2015 but during the second half of the year trend was more to negative. On top of that as of September financial challenges started to effect negatively to our operative performance, customer deliveries and KPI development.

Quality, productivity and cost saving projects continued during 2016. In order to improve the effectiveness of the management and the profitability of the Turkey

Iron Business Area the management team way to operate was re-structured in Orhangazi starting from September 2016. With this restructuring Iron Business focused more as a one business unit ideology. During autumn 2016 sales area structure was also restructured. Componenta Turkey centralize customer support under United Kingdom Customer Support Center. With restructuring changes Iron Business Area achieved about 2,5 M€ per annum savings.

Cost-cutting efforts and expected higher volumes are predicted to create a suitable ground to achieve 2017 targets of iron casting business area. Orhangazi Foundry and Machine Shop financial figures will be consolidated and provided as Iron Business financial result in the future.

Orhangazi Machine Shop

Net sales of Orhangazi Machine Shop realized as 42,0 MEUR with a 13% decrease. Accordingly machining added value decreased by 17% and realized as 11,1 MEUR. However due to improvement and cost saving activities the decline in the operating profit bordered by 9%.

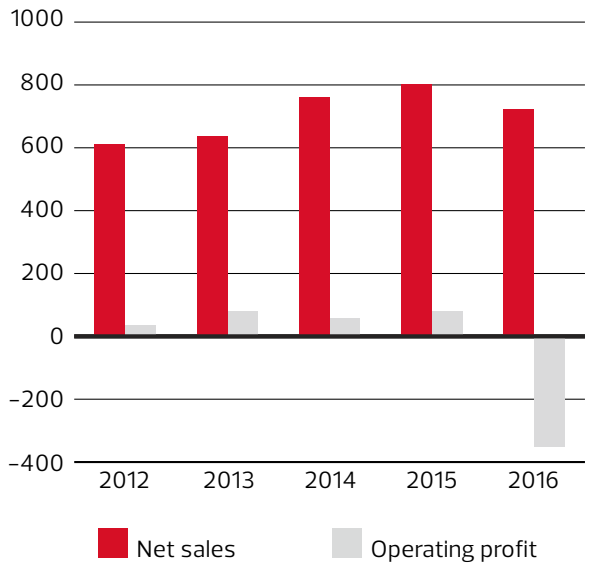
Heavy Truck parts production volume increased by 5% compared to previous year and reached to 42%. 1,3 MEUR new machinery investments have been completed especially for heavy truck segment parts and for other segment new projects. Beside new Multitasking machines investment, robot automation cell investment and process and quality improvement machinery investments has been postponed to in 2017-2018 due to financial challenge in Componenta Group.

The decrease of construction and mining segment parts was caused around 6% lower sales turnover than 2016 net sales target. 2016 sales were generated from 96% export and 4% domestic market operations. Besides regarding implementation of new Domestic Customers project, domestic sales ratio will increase more 3% in 2017.

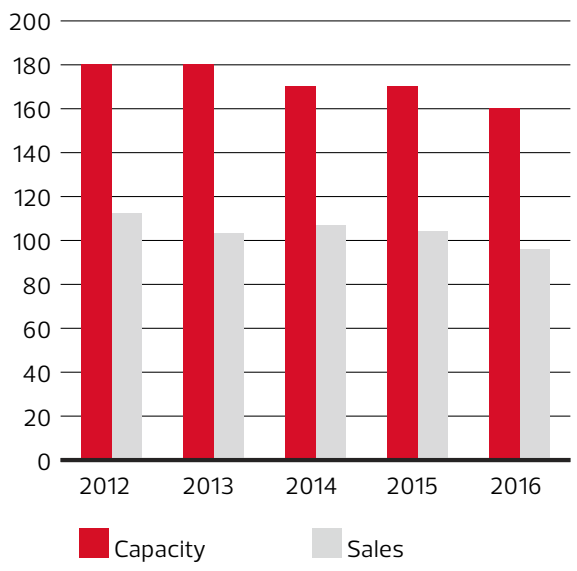
According 5-year business plan; Machine Shop Orhangazi are aiming to increase the machined casting tonnage ratio by 6% among of total sales tonnage of Componenta Iron Business.

At year-end cumulative external machining ppm figure was 82, whereas cumulative internal machining ppm

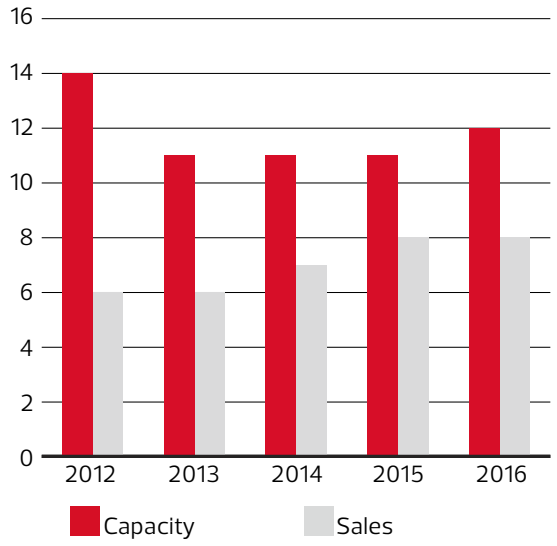
Componenta Dökümcülük Tic. ve San. A.Ş. Net Sales and Operating Profit, MTRY



Orhangazi Foundry Capacity & Sales, 1,000 tons



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



Manisa Aluminium Wheels Capacity & Sales, 1,000 units

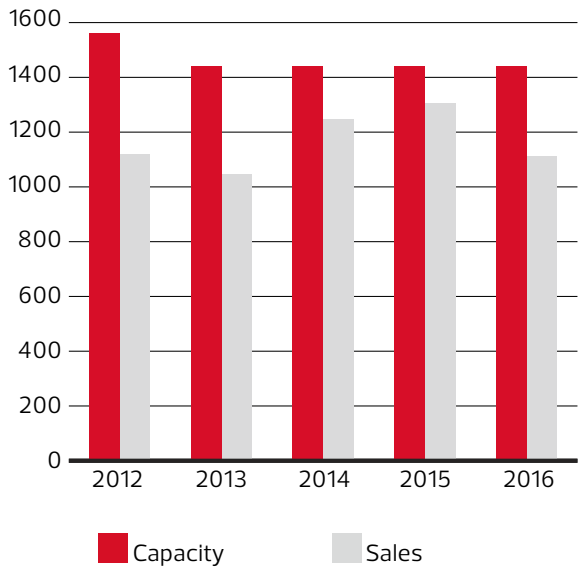


figure was 5,747. As of 2016 Orhangazi Foundry and Machine Shop units have been awarded with Caterpillar Supplier Quality Excellence Process Certification (SQEP) from Caterpillar Group.

Efforts to improve quality and processes will continue in Orhangazi machine shop where 195 people were employed as of year end.

Manisa Aluminium Foundry

Year 2016 should be considered as a brand-new start for Manisa Aluminium Business Unit. We accomplished relocating the facilities from the old area which has been used since 1970s to the new one constructed with the best know-how of the sector and supply-chain setup process was set up together with the significant European consultants. Project was accomplished 2 weeks earlier than planned. During the relocating period, existing machinery and equipments were maintained, cleaned and tuned thoroughly along with the successful process of renewing the production standards confirmations from customers due to relocation. Above all, relocation is completed without any serious work accident and it was also satisfactory that there have been no quality claims from customers or delivery problems after relocation period.

After 4 years of increasing volume trend we have faced a 9% decrease in 2016. 43 MEUR turnover achieved in 2015 fell to 39.3 MEUR. The most important factor in here is that some od our customers in the heavy truck segment have shifted their product to another supplier due to the change in casting technology. Nevertheless, new projects that have succesfully completed their investment phase within the year will provide a 16 MEUR turnover increase annually.

Positive feedbacks of customer visits clearly confirm the potential of new business from new premises. I am sure that hard times will be over and we will continue to be one of the leading companies both in our country and also Europe from casting and machining solutions point of view. We should lesson from these difficult times and benefit from the experience in following years by improving our operations further.

Manisa Aluminium Wheels

The increase in the use of aluminum wheels in the automobile sector has also increased demand in the aftermarket. We worked full capacity in 2016 under favor of our well established customer relationships, our experienced staff, flexibility in production and giving particular important to the customer satisfaction. But we couldn't reach our targets at the last quarter of 2016 due to the financial difficulty of our main partner and this situation's negative effect on the supply of raw materials. Financial issues, which continues at the beginning of 2017, will have some negative impact on business results in this year.

Although the wheel business unit is the most affected production facility due to all these negativities, it completed 2016 with 1.112.903 sales and 39.2 MEUR turnover. There has been a decrease of %15 in volume and %24 in turnover when compared to the year 2015.

The investment of melting furnace and chip recycling unit increased our operational efficiency and made a great contribution to the results of 2016. The work to reduce labor costs has not been clearly seen due to the closedown at the last quarter.

The Wheel Business Unit will remember the year 2016 as a year of losing significant opportunities for production, sales and turnover. Despite the loss of synergy caused by the transportation of the aluminum casting plant to the new plant, with the resolution of the financial troubles, the wheel business unit will reach the targeted values and capacity in a very short time.

Organizational changes to carry out the growth goals and processes in a healthy manner will provide positive contributions to the system.

2017 for a wheel business unit will be a year in which it will integrate with its customers by reaching full capacity operation once the financial problems have been resolved.

Our Mission in 2017

We aim to serve our customers with proactive service mindset and high quality level and to be the preferred casting solution provider to our customers locally and globally by continuing efficiency improvement projects, increasing our cost effectiveness and cost flexibility, increasing our volumes by new projects, improving our competitiveness through world class product and service management in 2017. I would like to express my sincere thanks to our shareholders and employees due to their outstanding contribution and support and also my gratitude to our customers due to their confidence in us, during the year of 2016.

Sabri ÖZDOĞAN
Managing Director

Customer Segments

Componenta Dökümcülük A.Ş.'s position in the customer industries

Automotive (40%)

The Group supplies automotive industry including manufacturers of passanger cars and light vehicles with a wide range of different iron and aluminium cast components and aluminium wheels. Manisa Wheels manufactures wheels under the trademarks DJ Wheels and MAXX Wheels supplying then to after market. Customers in automotive segment include Tofaş, Gruner,ThyssenKrupp, Ford Otosan, Ford of Europe, Renault,Paksan, PSA, ATU, Borbet, OZ, R.O.D Wheels.

Agricultural Machinery (21%)

Customers are manufacturers of tractors, forestry machines, combine harvesters. Componenta supplies various components for engines, power transmissions, drives and chassis. Customers in agriculture segment are TTF, Case New Holland, Tümosan, AGCO Group, Claas, Gima, Raba Axle and Alçelik.

Construction& Mining (20%)

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

Heavy Trucks (15%)

For the heavy truck industry Componenta manufactures ready-toinstall 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 preassembly. Customers in heavy trucks segment include Iveco, Ford Otosan, Daimler, MAN, Scania, Volvo and Mercedes Benz Türk.

Machine Building (4%)

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 include ABB, Cummins, Kone, Atlas Copco, Ingersoll Rand and ZF Friedrichshafen AG.

Share Structure and Affiliates

Capital structure and share distribution

Our company's registered share capital as at 31.12.2016 was 250.000.000 TRY, the issued share capital was 66,844,800 TRY. Shareholders who own more than 10% of paid-in capital, share capital amounts and ratios are as follows:

Affiliates and Associates

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

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

SHARE DISTRIBUTION

	%	Capital
Componenta Corporation	93,57%	62,543,860
Public shares	6,43%	4,300,940
	100,00%	66,844,800

AFFILIATES & ASSOCIATES

Company name	Field& Operation	Capital	Share
Kumsan Döküm Malzemeleri Sanayi ve Ticaret A.Ş./Turkey	Foundry sand production& trading	1,200,000 TL	25,10%
Componenta UK Limited/England	Import& Export	287,850 GBP	100%

Human Resources

By the end of 2016 the number of personnel employed in Componenta UK one of our affiliates is 7 persons (2015: 8 persons). Personnel and labour 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 1.9.2014 / 31.8.2017.

Componenta Dökümcülük A.Ş / Number of personnel

	2016	2015	2014	2013	2012
Blue collar	1,333	1,424	1,439	1,534	1,501
White collar	184	228	211	203	198
Leased	72	96	119	112	92
Orhangazi total	1,589	1,748	1,769	1,849	1,791
Blue collar	768	827	750	715	599
White collar	71	71	66	68	65
Leased	34	14	16	17	10
Manisa total	873	912	832	800	674
Total Turkey	2,462	2,660	2,601	2,649	2,465

Board of Directors

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

Tezcan YARAMANCI
Chairman of Board

Harri SUUTARI
Deputy Chairman

Markku HONKASALO
Member of Board

Altan EDİS
Independent Member of Board

Akşit ÖZKURAL
Independent Member of Board

Management

Componenta Dökümcülük Ticaret ve Sanayi A.Ş. Management

Sabri ÖZDOĞAN
Managing Director,
Senior Vice President,
Aluminium Divison

Pasi MÄKINEN
Senior Vice President,
Orhangazi Foundry

Sibel BİNİCİ
CFO

Yusuf ÇAMUR
Production Director,
Orhangazi Foundry

Mehmet KIZILAY
Director,
Orhangazi Machine Shop

İbrahim KEYİF
Director, Orhangazi
Maintenance& Investments

Güngör ÇETİN
Director,
Aluminium Casting

Önder SÖNMEZ
Director,
Aluminium Wheels

Uğur DEMİRCİ
Director,
Sourcing

Alpaslan UZ
Director,
Costing & Pricing

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

Corporate Governance Principles Compliance Report

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 Legislation (II-17.1) has been entered to force dated 3 January 2014 by Official Gazette No:28871.

Componenta Dökümcülük Tic. ve San. A.Ş. ("the Company") always efforts to comply with the Capital Markets Board's ("CMB") Corporate Governance Principles. The Company has adopted the principles of equality, transparency, accountability and responsibility of the Corporate Governance Principles published by CMB. The "Corporate Governance Principles" as stipulated by the Capital Markets Board are also observed by the Company and these universal principles are implemented by Componenta Dökümcülük Tic. ve San. A.Ş.

SECTION I – SHAREHOLDERS

2. Investor Relations

Relations with the shareholders at Componenta Dökümcülük Ticaret ve Sanayi A.Ş. are carried out by the responsible unit established under the Treasury department. Investor Relations department in charge and responsible contact information is given below:

Sibel BİNİCİ Turkey CFO (sibel.binici@componenta.com /02245734263-107)

The activities of Investor Relations are as follows:

- Promotion of the company to the individual and corporate investors; and informing the potential investors and shareholders.
- Responding information requests of the undergraduate, graduate students the lecturers of the universities making researches on our company and the sector.
- Holding the general assembly meeting of the company, preparing of the documents that may be useful for shareholders and submitting the minutes to the demanding persons.
- Informing our shareholders.
- Submitting Material Disclosures to Public in accordance with the communiqué of Capital Markets Board Series II-15.1.
- 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 only a few calls were received from the shareholders for demanding information. Such demands are in general related to attendance in the general meeting, distribution of free shares, 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 notices and material explanations are sent from our company to the Istanbul Stock Exchange using electronic signature as well. Also an important step was taken to monitor the shares by completion of the membership procedures for Central Registration Agency that was established to monitor the capital market instruments. The company's website (www.componenta.com) contains most of the following information along with the financial statements:

- Articles of association and the company's policies
- All declarations regarding to General Assembly Meeting
- Material disclosures
- Shareholding structure of the company
- Information on members of the Board of Directors and senior management of the company
- Financial announcements and calendar
- Financial statements and annual reports
- Information society services

Request for the appointment 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. For 2016 it has been decided and voted in General Assembly Meeting that Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG) will be our company's Independent Audit Firm.

4. General Assembly Meeting

Our company has held one General Assembly as ordinary within 2016. In the General Assembly Meeting dated 5 April 2016 where the activities of 2015 were discussed, 6.256.904.183 shares were represented among 6,684,480,000 shares constituting the company capital. (93.6%) The shareholders of the company have attended in the meetings (by proxy as well).

Invitations to the General Assembly meeting are made by the Board of Directors as per the provisions of Turkish Commercial Code, Capital Market Law and company's articles of association. Public is informed by notifying the Borsa İstanbul , Public Disclosure Platform and Central Registry Agency 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 headquarters is located at least three weeks prior to the General Assembly. This announcement states where the financial statements for the period that have undergone independent audit 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, voice his views about the company activities, provide questions to the company management to demand information and his question is answered. Our General Assembly is held under the supervision of a Government Commissioner from the Ministry of Industry and Commerce. The suggestions put forward by the shareholders of the company holding control interest were taken into consideration in 2015 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 provided 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. Also shareholders may be represented at General Meetings by proxies given either to other shareholders or to those who are not shareholders.

6. Profit Distribution Policy and Profit Distribution Timing

In respect of profit distribution policy, a balanced and consistent policy between the interests of the shareholders and company are followed in accordance with the Corporate Governance Principles. According to Financial report results in accordance with the CMB for 2015 Fiscal year, profit before tax is amounting to TRY 11,311,685 (Legal: TRY 23,951,836.85). According to CMB regulations, lowest amount will be subject to Distributable Dividend from CBM Results and Legal Results after deducting legal reserves and gross amount is TRY 21,007,851. During 2016 there has not been any dividend distribution for 2015.

7. Transfer of Shares

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

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

In line with the public disclosure and transparency principle, our company aims to present the respective parties correct, complete, comprehensible, analysable, cost-effectively and easily accessible information. It is ensured that any and all information that may be demanded is evaluated, provided that such information is not a commercial secret. 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 2016 our company issued 40 material disclosures other than usual announcements. Since the company is not listed in any foreign stock exchange it is not required to issue any Material Disclosures other than those required by the Capital Market Board and Istanbul Stock Exchange. Since the Material Disclosures are made within the period prescribed by the Law, no sanction was imposed by the Capital Markets Board.

9. Website of the Company and its Contents

Our company's website is www.componenta.com. Company uses its corporate website actively in order to communicate more effectively and rapidly with its shareholders in accordance with CMB's Principles. The information posted at website is being updated regularly. The information posted at the company's website is the same as and/or consistent with the material event disclosures made in accordance with the applicable laws. They are complete and do not contain any contradictory information.

10. Annual Report

The Company's Board of Directors prepares the Annual Report in order for the public at large to have access to complete and accurate information on the Company's activities in accordance with related regulation and Corporate Governance Principles.

SECTION III– STAKEHOLDERS

11. Disclosure to Stakeholders

Stakeholders are informed of issues that may concern them by means of invitations to the meetings or via telecommunication tools, as required. Our relations with our employees under Collective Bargaining are carried out through union representatives. Our company is a member of MESS (Union of Turkish Metal Industrialists) as an employer union and the blue collar employees of our company are members of Turkish Metal Union. In December during 2014 Memorandum of Agreement for Collective Labour Bargaining has been signed between MESS and Turkish Metal Union for the period of 01.09.2014–31.08.2017.

12. Stakeholders' Participation to 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.

13. 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 by "Employees Satisfaction Survey" which is conducted every year and the areas of improvement are determined for corrective actions. No other representative than trade union workplace representatives are assigned. No other representative than trade union workplace representatives are 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.

14. Ethic Rules and Social Responsibility

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

Our company values are "openness, honesty and respect" and all values are determined and implemented accordingly:

- We are open to new ideas, changes and improve ourselves. In this way, we are trying to continuously improve our working method.

- We are honest between each other. We fulfil that promise.

- Our relationship between employees, our superiors, subordinates, shareholders and customers is based on trust and mutual respect.

PART IV – BOARD OF DIRECTORS

15. 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 Markets 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 395 and 396 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. Also CV's of the Board members can be seen in company's website.

Board of Directors:

Tezcan YARAMANCI	: Board of Directors Chairman
Harri SUUTARI	: Board of Directors Deputy Chairman
Markku HONKASALO	: Board of Directors Member
Altan EDİS	: Board of Directors Member (Independent)
Akşit ÖZKURAL	: Board of Directors Member (Independent)

16. 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 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 Department 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 Code of Commerce. 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 Markets 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. 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. 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.

17. Number, Structure and Independence of the Committees established under the Board

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 capital 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.

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 details of the Board Committee 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.

■ **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 department in detail (Committee had 3 meetings during 2016).

■ **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 had 6 meetings during 2016).

■ **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 had 4 meetings during 2016).

Audit Committee
Muammer Akşit ÖZKURAL
Altan EDİS

Early Detection of Risk Committee
Muammer Akşit ÖZKURAL
Altan EDİS
Markku Juhani HONKASALO

Corporate Governance Committee
Altan EDİS
Muammer Akşit ÖZKURAL
Harri Yrjö Kalevi SUUTARI

18. Risk Management and Internal Control Mechanism

The Company's Board of Directors carries out its activities in a transparent, accountable, fair and responsible manner. The Board of Directors establishes an internal control and risk management mechanisms that are appropriate for the Company to be able to minimize adverse effects of the Company's risks, which would also negatively affect the shareholders and stakeholders, with the opinions of relevant committees in establishing these mechanisms.

Early Detection of Risk Committee whose members were selected from among the members of the Board of Directors has held 6 meetings in 2016. The Risk Management Committee provides advices and suggestion to the Board of Directors for early detection and evolution of strategic, operational, financial and all other miscellaneous risks that may affect our Company, calculating the effects and probabilities, managing these risks in accordance with the Company's corporate risk taking profile, reporting, considering in decision-making mechanisms and accordingly creating and integrating efficient internal control systems.

19. Strategic Goals of Company

The Board of Directors of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. keeps the risk, growth and return equilibrium of the Company at an optimum level through the strategic decisions taken and manages and represents the Company by primarily looking after the Company's long-term interests with a smart and cautious risk management approach. The Board of Directors determines the strategic targets of the Company, identifies the needed human and financial resources and audits the performance of management.

20. Financial Rights Offered to the Board of Directors

No other 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 Markets Board will be applicable for remuneration to be paid. There is no application for the Board of Directors based on performance or rewarding. As of 31 December 2016; Amount of TRY 4,452,845 was provided to Board of Directors and Management.

Statement of Responsibility

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
RESOLUTION DATE: April 26, 2017
RESOLUTION NUMBER: 2017/06

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD FINANCIAL REPORTING COMMUNIQUE (II-14.1), SECTION 2 ARTICLE 9

Approved by the Board of Directors and the Audit Committee, independently audited financial statements of our Company for the accounting period of January – December 2015, prepared pursuant to the CMB's Financial Reporting Communique (II-14.1) and in compliance with the Turkish Accounting Standards / Turkish Financial Reporting Standards adopted by the Public Oversight Accounting and Auditing Standards Authority, are attached below. We declare that,

a) We have examined the consolidated financial statements dated December 31, 2015,

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) Prepared in accordance with the financial reporting standards in effect, the financial statements provide an accurate view of the assets, liabilities, financial position and profit or loss of the Company including its consolidated participations, and the annual report provides an accurate view of the development and performance of the business and the financial position of the Company including its consolidated participations as well as the principal risks and uncertainties the Company is exposed to.

Respectfully yours,

Componenta Dökümcülük Tic. ve San. A.Ş.

Akis Bağımsız Denetim ve
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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AS AT 31 DECEMBER 2016

ORIGINALLY PREPARED AND ISSUED IN TURKISH

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. ("the Company") and its subsidiary (together "the Group") as at 31 December 2016 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

1. At 31 December 2015, the Group owned mixed scrap of iron and sand which were accumulated as the result of production process over the years. The Group initiated a project to separate the iron from the scrap in order to use the iron component in the production. The Group capitalised cost of production in the amount of TL 8.210.918 under inventories as at 31 December 2015 in the accompanying consolidated financial statements based on the net realizable value estimate of the iron that will be separated during the project. The Group should not recognize such inventory based on a net realizable value estimate. The Group should recognise inventory based on actual costs that are incurred during the term of the project and the cost to be recognised as inventory should only include conversion costs in accordance with TAS 2 "Inventories" as the cost of mixed scrap is zero in the Group's accounting records. Additionally, the Group transferred the capitalised cost of production which had been recognized under inventory until 31 December 2015 to cost of sales in the current period. Had the Group recognized that journal entry to the consolidated financial statements in the related period, prior year's profit would have been decreased by TL 6.568.734 and net profit for the period would be increased by TL 6.568.734 as at and for the year ended 31 December 2016.

2. As at 31 December 2016, the Group has recognised the uncollectible portion of the trade and financial receivables from related parties based on the payment capacity of the counterparties which resulted in restructuring due to financial difficulties experienced by the parent and its subsidiaries amounting to TL 429.474.292 and the deferred tax effect of TL 73.947.211 which is deemed to be recovered in future periods related to these receivables as other equity interest under equity. Sufficient audit evidence has not been obtained that uncollectible receivables could be deducted from the corporate tax base in the future. As a result, it has not been determined whether it is necessary to adjust the deferred tax asset and deferred tax effect in other equity amounting to TL 73.947.211.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the 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 2016 and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Emphasis of Matter
As disclosed in Note 2.2, the accompanying consolidated financial statements have been prepared in accordance with "Going Concern" principle. As at 31 December 2016, the Group's short-term liabilities exceeded the total current assets by TL 644.639.215, the Group's loss for the year ended 31 December 2016 was TL 32.216.303 and the total equity was TL 37.335.139. Additionally, after the main shareholder Componenta Oyj initiated the formal proceedings for restructuring on 1 September 2016, a business plan for a foreseeable future has been prepared and negotiations with potential buyers for the sale of shares owned by the main shareholder and pledged by the banks and negotiations with banks for the restructuring of existing borrowings and the use of additional working capital have been started. These, along with other matters as set forth in Note 2.2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the sustainability of the Group depends on the positive results of these activities. Our qualified opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 April 2017.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January – 31 December 2016, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Orhan Akova, SMMM
Partner
28 April 2017
Istanbul, Turkey

Additional paragraph for convenience translation to English:
As explained in Note 2.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

CONSOLIDATED FINANCIAL STATEMENTS 2016

Consolidated Financial Statements as at and for the year ended 31 December 2016 with Independent Auditors' Report Thereon

(Convenience Translation of Financial Statements and Notes to the Financial Statements Originally Issued in Turkish)

28 April 2017
This report includes 4 pages of Independent Auditors' Report and 70 pages of financial statements and notes to the financial statements.

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	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current Assets		176.454.875	452.285.781
Cash and Cash Equivalents	4	6.520.316	16.803.959
Trade Receivables	6	36.926.779	194.568.987
– Trade receivables from related parties	28	--	161.424.813
– Trade receivables from third parties		36.926.779	33.144.174
Other Receivables	7	485.244	106.810.941
– Financial receivables from related parties	28	--	106.415.921
– Other receivables from third parties		485.244	395.020
Inventories	9	119.575.627	110.406.726
Prepaid Expenses	10	7.457.418	3.037.925
Current Income Tax Assets	26	283.422	1.837.237
Other Current Assets	17	5.206.069	18.820.006
Non-Current Assets		735.288.280	653.385.141
Trade Receivables	6	99.955.005	--
– Trade receivables from related parties	28	99.955.005	--
Other Receivables	7	12.591.208	206.544.000
– Financial receivables from related parties	28	12.591.208	206.544.000
Equity-Accounted Investees	11	4.060.133	3.916.227
Property, Plant and Equipment	12	509.810.648	409.323.396
Intangible Assets		7.498.083	8.801.215
– Goodwill	14	4.206.485	3.602.935
– Other intangible assets	13	3.291.598	5.198.280
Prepaid Expenses	10	5.768.464	13.800.303
Deferred Tax Assets	26	73.399.010	--
Other Non-Current Assets	17	22.205.729	11.000.000
TOTAL ASSETS		911.743.155	1.105.670.922

	Notes	Audited 31 December 2016	Audited 31 December 2015
LIABILITIES			
Current Liabilities		821.094.090	407.468.073
Short-Term Borrowings	5	121.331.389	175.339.358
Short-Term Portion of Long-Term Borrowings	5	490.643.613	84.378.343
Trade Payables	6	165.695.156	119.642.993
– Trade payables to related parties	28	17.519.221	4.864.497
– Trade payables to third parties		148.175.935	114.778.496
Other Payables	7	9.130.179	1.158.838
– Other payables to related parties	28	--	23.653
– Other payables to third parties		9.130.179	1.135.185
Payables Related to Employee Benefits	8	14.086.008	9.746.312
Short-term Provisions	15	10.001.709	11.004.974
-Short-term provisions for employee benefits		1.089.264	890.805
-Other short-term provisions		8.912.445	10.114.169
Other Current Liabilities	17	10.206.036	6.197.255
Non-Current Liabilities		53.313.926	320.089.848
Long-Term Borrowings	5	19.216.421	274.265.097
Other Payables	7	519.846	--
– Other payables to third parties		519.846	--
Long-Term Provisions		33.577.659	31.576.834
– Long-term provisions for employee benefits	16	33.577.659	31.576.834
Deferred Tax Liabilities	26	--	14.247.917
TOTAL LIABILITIES		874.408.016	727.557.921
EQUITY		37.335.139	378.113.001
Paid-in Capital	18	66.844.800	66.844.800
Inflation Adjustment Differences on Paid-in Capital	18	45.195.347	45.195.347
Share Premium	18	161.041	161.041
Other Comprehensive Income/Expense Items That will not to be Reclassified to Profit or Loss	18	47.009.977	57.265.102
– Gain on revaluation and re-measurement		65.254.386	68.754.201
– Remeasurements of defined benefit liability		(18.244.409)	(11.489.099)
Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss		156.719.906	100.802.128
– Foreign currency translation differences	18	156.719.906	100.802.128
Restricted Reserves	18	16.035.194	14.926.943
Other Equity Interests	18	(355.527.081)	--
Prior Years' Profits	18	93.112.258	68.515.018
Net Profit/(Loss) for the Year		(32.216.303)	24.402.622
TOTAL LIABILITIES AND EQUITY		911.743.155	1.105.670.922

PROFIT OR LOSS:	Notes	Audited 1 January–31 December 2016	Audited 1 January–31 December 2016
Revenue	19	723.144.289	801.564.225
Cost of Sales (-)	19	(601.660.991)	(642.647.627)
GROSS PROFIT		121.483.298	158.916.598
Marketing Expenses (-)	20	(69.567.111)	(61.758.732)
General Administrative Expenses (-)	20	(39.433.160)	(46.674.400)
Research and Development Expenses (-)	20	(4.818.385)	(3.992.664)
Other Operating Income	22	37.277.299	23.367.933
Other Operating Expenses (-)	22	(38.385.078)	(10.130.026)
OPERATING PROFIT		6.556.863	59.728.709
Income from Investing Activities	23	21.038.491	20.719.995
Share of Profit of Equity-Accounted Investees	11	382.261	342.446
OPERATING PROFIT BEFORE FINANCE COSTS		27.977.615	80.791.150
Finance Income	24	54.434.498	13.395.634
Finance Expenses (-)	25	(127.245.194)	(82.875.099)
OPERATING PROFIT/(LOSS) BEFORE TAX		(44.833.081)	11.311.685
Income Tax Expense			
- Current Tax Expense	26	(98.049)	(1.901.681)
- Deferred Tax Income	26	12.714.827	14.992.618
NET PROFIT/(LOSS) FOR THE YEAR		(32.216.303)	24.402.622
Ordinary and Diluted Earnings/(Loss) per Share (Nominal value of 1 Kuruş)	27	(4,8196)	3,6506
OTHER COMPREHENSIVE INCOME			
Profit or Loss not to be Reclassified		(8.952.256)	(10.997.682)
- Revaluation of property, plant and equipment		(2.746.183)	(6.033.869)
- Remeasurements of defined benefit liability	16	(8.444.138)	(6.852.304)
- Tax – Related to other comprehensive income not attributable to profit or losses	26	2.238.065	1.888.491
Profit or Loss to be Reclassified		55.917.778	44.181.364
- Foreign operations-foreign currency translation differences		55.917.778	44.181.364
TOTAL COMPREHENSIVE INCOME		46.965.522	33.183.682
TOTAL COMPREHENSIVE INCOME		14.749.219	57.586.304

					Other Comprehensive Income/ Expense Items That will not to be Reclassified to Profit or Loss		Other Comprehensive Income/ Expense Items That are or may be Reclassified Subsequently to Profit or Loss					
	Notes	Paid-in Capital	Inflation adjustment differences on paid-in capital	Share Premium	Gain on revaluation and re-measurement	Remeasurements of defined benefit liability	Foreign Currency Translation Differences	Restricted Reserves	Other Equity Interests	Prior years' profits	Net profit/(loss) for the year	Total equity
Balances at 1 January 2015		66.844.800	45.195.347	161.041	75.385.972	(6.007.256)	56.620.764	12.188.190	--	69.030.584	20.680.830	340.100.272
Transfers		--	--	--	--	--	--	2.738.753	--	17.942.077	(20.680.830)	--
Total comprehensive income		--	--	--	(5.515.839)	(5.481.843)	44.181.364	--	--	--	24.402.622	57.586.304
Depreciation transfer		--	--	--	(1.115.932)	--	--	--	--	1.115.932	--	--
Dividend		--	--	--	--	--	--	--	--	(19.573.575)	--	(19.573.575)
Balances at 31 December 2015	18	66.844.800	45.195.347	161.041	68.754.201	(11.489.099)	100.802.128	14.926.943	--	68.515.018	24.402.622	378.113.001
Balances at 1 January 2016		66.844.800	45.195.347	161.041	68.754.201	(11.489.099)	100.802.128	14.926.943	--	68.515.018	24.402.622	378.113.001
Transfers		--	--	--	--		--	1.108.251	--	23.294.371	(24.402.622)	--
Total comprehensive income		--	--	--	(2.196.946)	(6.755.310)	55.917.778	--	--	--	(32.216.303)	14.749.219
Depreciation transfer		--	--	--	(1.302.869)	--	--	--	--	1.302.869	--	--
Other contributions of shareholders		--	--	--	--	--	--	--	(355.527.081)	--	--	(355.527.081)
Balances at 31 December 2016	18	66.844.800	45.195.347	161.041	65.254.386	(18.244.409)	156.719.906	16.035.194	(355.527.081)	93.112.258	(32.216.303)	37.335.139

	Notes	Audited 31 December 2016	Audited 31 December 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		53.134.872	9.561.176
Net profit/(loss)		(32.216.303)	24.402.622
Adjustments to reconcile net profit to cash provided by operating activities:		17.840.733	100.492.559
Depreciation and amortisation expenses	12,13	27.456.985	24.008.127
(Reversal of)/Provision for impairment		1.429.590	(459.999)
(Reversal of)/Provision for diminution in value of inventories	9	467.512	(459.999)
Provision for impairment on trade receivables	22	962.078	--
Adjustments related to provisions		1.646.028	11.039.015
Provision for employee termination benefits	15,16	4.187.739	4.631.690
Provision of litigation	15	878.859	500.597
Other provisions (cancellations)	15	(3.420.570)	5.906.728
Adjustments related to interest (income)/expense		49.993.913	43.438.979
Interest income	24	(553.658)	(1.796.382)
Interest expense	25	50.547.571	45.235.361
Unrealized foreign currency translation differences		(15.177.002)	11.507.616
Share of profit of equity-accounted investees	11	(382.261)	(342.446)
Tax income	26	(12.616.778)	(13.090.937)
Gain on sale of property, plant, and equipment		(2.293.439)	(10.418)
Gain on sale of property, plant, and equipment	23	(2.293.439)	(10.418)
Cash flows from operating activities before changes in operating assets and liabilities:		17.840.733	100.492.559
Increase in trade receivables		55.573.210	(67.280.657)
(Increase)/decrease in trade receivables from related parties		61.469.808	(70.076.071)
(Increase)/decrease in trade receivables from third parties		(5.896.598)	2.795.414
Increase in other receivables from operating activities		1.831.004	(30.236.760)
Increase in other receivables from related party operations		1.921.228	(30.180.097)
(Increase)/decrease in other receivables from third party operations		(90.224)	(56.663)
Increase in inventories		(9.392.027)	(18.321.134)
(Increase)/decrease in prepaid expenses		3.612.346	(13.631.312)
Increase in trade payables		46.052.163	11.922.617
Increase in trade payables to related parties		12.654.724	682.512
Increase in trade payables to third parties		33.397.439	11.240.105
Increase in other payables from operating activities		7.971.341	7.734
Decrease in other payables from operating activities with related parties		(23.653)	--
Increase in other payables from operating activities with third parties		7.994.994	7.734
(Increase)/decrease on working capital		(65.428.206)	36.273.658
Increase in other assets from operations		(69.436.987)	(1.178.404)
Decrease in other liabilities from operations		4.008.781	37.452.062
(Increase)/decrease in payables related to employee benefits		4.339.696	(2.122.852)
Other cash flows/(change in restricted cash)	4	(1.106.438)	(1.708.706)
Cash from operating activities		61.293.822	15.395.147
Payments of employee termination benefits	16	(9.027.443)	(3.996.734)
Tax paid	26	(283.422)	(1.837.237)
Other cash inflows	6	1.151.915	--
Net cash from operating activities		53.134.872	9.561.176
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		12.375.722	--
Acquisition of property, plant and equipment and intangible assets		(66.960.491)	(80.286.074)
Acquisition of property, plant and equipment	12	(66.709.887)	(76.912.382)
Acquisition of intangible assets	13	(250.604)	(3.373.692)
Dividend received	11	(75.300)	(75.300)
Collections from loans landed to related parties		(57.079.596)	(30.183.236)
Interest received		553.658	1.796.382
Net cash used in investing activities		(111.186.007)	(108.748.228)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		197.132.682	282.724.561
Proceeds from bank loans		197.132.682	282.724.561
Repayment of f borrowings		(150.471.628)	(188.447.052)
Repayment of bank loans		(129.309.930)	(165.601.567)
Repayment factoring payables		(17.640.695)	(19.134.064)
Other financial borrowing payments		(3.521.003)	(3.711.421)
Dividend paid		--	(10.416.490)
Net cash provided from financing activities		46.661.054	83.861.019
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE (A+B+C)		(11.390.081)	(15.326.033)
D. FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EUQIVALENTS		--	--
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	13.807.403	29.133.436
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(11.390.081)	(15.326.033)
NET CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D +E)	4	2.417.322	13.807.403

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. On 12 December 2006, Koç Holding transferred its shares to Componenta Oyj located in Finland. Since then the Company is a subsidiary of Componenta Oyj. The main operations of the Company are production and trade of gray cast iron, spheroidal cast iron and aluminum castings for the automotive industry. The Company's production and trading operations are conducted in its premises based in Bursa – Orhangazi and in its aluminum casting factory in Manisa Industrial Area, which was acquired in 1999. The Company is registered with the Capital Markets Board ("CMB") of Turkey and its shares are currently quoted in Borsa İstanbul A.Ş. ("BIST"). The main shareholder of the Company is Componenta Oyj (Note 18).

On 1 September 2016, Componenta Oyj, declared publicly on Helsinki Stock Exchange that Componenta Oyj and its subsidiaries in Finland and Sweden filed for restructuring. It was also decided for Componenta Oyj's Dutch subsidiary Componenta B.V. file for bankruptcy. The restructuring process of the parent company and the group companies has been continuing as at the reporting date.

The official file for restructuring of Componenta Oyj has given Turkish banks the right to vote at the Company's general meetings and to initiate the sale process of shares according to the Share Pledge Agreement signed on 16 June 2016 with the Turkish Banks and the share pledge process that started on 19 August 2016 for the Central Registry Agency. As at the reporting date, Componenta Oyj has lost its power to control the Company's operations, even though it remains the legal owner of the Company shares.

The average number of employees for the period 1 January–31 December 2016 was 2.492 (1 January – 31 December 2015: 2.585).

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

The Company and its subsidiary (together referred to as "the Group") considers gray cast iron, wheel and high pressure as three separate business segments and prepares 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 at 31 December 2016 (Note 11).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

2.1. Basis of Presentation

2.1.1. Approval of Financial Statements

The accompanying consolidated financial statements as at 31 December 2016 have been approved by the Company's Board of Directors to be published on 28 April 2017. The General Assembly and related legal institutions have the right to amend these consolidated financial statements.

2.1.2. Preparation of the Consolidated Financial Statements and Statement of Compliance to TAS

The Company and its associate registered in Turkey maintain their accounting records and prepare their statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiary operating in foreign country prepares its statutory financial statements in accordance with the laws and regulations of the country in which it operates.

The accompanying consolidated financial statements are prepared in accordance with the Communiqué No. II-14.1, "Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 and dated 13 June 2013. According to the Communiqué Article 5, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying consolidated financial statements as at 31 December 2016 have been prepared in accordance with the resolution numbered 20/670 and dated 7 June 2013 "Announcement on Financial Statements and Footnote Formats" announced by CMB.

2.1.3. Paragraph for Convenience Translation to English

The accounting principles described in Note 2.3 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some profit or loss items and also for certain disclosures requirement of the POA.

2.1.4. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the land and land improvements and buildings which are measured at fair value.

Basis for Measurement of fair value is explained in Note 29.

2.1.4. Correction of Financial Statements during the Hyperinflationary Periods

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the regulations of CMB (including those applying IAS/IFRS) are not subject to the application of inflation accounting effective from 1 January 2005. Therefore, as at 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

2.1.5. Functional and Presentation Currency

The functional currency of the Company is Euro. Euro is determined as functional currency since it is the most affecting currency that is used in sale of goods manufactured, trade and finance activities. The consolidated financial statements have been prepared in Euro which is functional currency of the Company and have been presented in TL.

Transactions and Balances

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Foreign currency gains and losses arising from the realization of these transactions and translation of monetary assets and liabilities denominated in foreign currencies to the functional currency at the exchange rate at the reporting date are recognized in that consolidated statement of profit or loss.

The translation of the financial statements of subsidiary in foreign country
Functional currency of the subsidiary operating in foreign country is Great Britain Pound ("GBP") and the assets, liabilities and equity are translated into the Group's functional currency, Euro at the exchange rate at the reporting date, statement of profit or loss items are translated at the average rates of exchange used (if exchange rates fluctuate significantly, the use of average rate for a period is inappropriate). Exchange rate differences arising from average exchange rates and reporting date exchange rates are recognised in "foreign currency translation differences" in the consolidated shareholders' equity for subsidiary operating in foreign country.

The exchange rates used by the subsidiary in foreign country for the conversion of the reporting date and statement of profit or loss items are as follows:

End of the term:	31 December 2016	31 December 2015
Turkish Lira / British Pound	4,3189	4,3007

Average:	31 December 2016	31 December 2015
Turkish Lira / British Pound	4,0777	3,8963

Translation to the presentation currency (TL)

(a) As at 31 December 2016, items in the assets and liabilities in the consolidated statement of financial position are translated into TL using the Central Bank of the Republic of Turkey ("CBRT") buying exchange rate of 3,7099 TL / Euro (31 December 2015: 3,1776). Equity and fixed assets are recorded at historical values.

(b) The items in the consolidated statement of profit or loss and other comprehensive income for the year ended at 31 December 2016 have been translated into TL by using yearly average of CBRT's Euro bid rate, which corresponds to 3,3375 (For the year ended 31 December 2015, yearly average CBRT Euro exchange buying rate of 3,0167 TL / Euro).

(c) All exchange differences arising have been recognized on foreign currency translation differences within shareholders' equity on the Group's consolidated financial statements.

2.2. Going Concern

As at 31 December 2016, the consolidated financial statements have been prepared in accordance with "Going Concern" principle. In assessment of going concern, the Group management has taken into account the uncertainties on current and available financing resources, refinancing possibilities and liquidity risks in the business plan prepared for a predictable period of time.

As at 31 December 2016, the Group has receivables from related parties at a gross amount of TL 542.020.505 which includes TL 358.486.398 of financial receivables from the Group's parent company, Componenta Oyj, TL 99.068.068 of trade receivables and TL 84.466.039 of other receivables from related parties.

On 1 September 2016, Componenta Oyj, declared publicly on Helsinki Stock Exchange that Componenta Oyj and its subsidiaries in Finland and Sweden filed for restructuring. It was also deciced for Componenta Oyj's Dutch subsidiary Componenta B.V. file for bankruptcy. The restructuring process of the parent company and the group companies has been continuing as at the reporting date. The Group has applied to the bankruptcy desk for the Dutch facilities and has initiated legal action for the collection of the receivables.

As at the issue date of the financial statements, restructuring processes of the shareholder and group companies is continuing.

In the context of restructuring, administrators appointed to Componenta Oyj and to the group companies have presented their restructuring proposals for respective companies' debts to the Group. The Group has recognised the uncollectible portion for commercial, financial and other receivables from related parties amounting to TL 429.474.292 as other equity interests in equity.

As at 31 December 2016, the Group has borrowings at a total amount of TL 631.191.423 of which TL 611.975.002 portion is short term and TL 19.216.421 portion is long term. Since the Group can not fulfill its financial and non-financial commitments on bank borrowings as at 31 December 2016, long-term borrowings are classified as short-term bank borrowings in the consolidated financial statements.

As a result of these developments, as at 31 December 2016, the Group's short-term liabilities exceeded the total current assets by TL 644.639.215 and for the year ended 31 December 2016, the Group's loss for the period was TL 32.216.303 and the total equity has been TL 37.335.139.

According to Share Pledge Agreement signed between Componenta Oyj and the lenders of the Group on 16 June 2016 İş Yatırım Menkul Değerler A.Ş. has been authorized for the sale of shares that are pledged as guarantee in favor of the banks. Meetings with potential buyers have begun and the process is ongoing. In addition, negotiations with banks for the restructuring of existing borrowings and the use of additional bank borrowings are ongoing.

The Group has not lost its key customers since the Group's main shareholder initiated the restructuring process and until the issue date of the financial statements. The Group paid personnel wages, personnel taxes and social security premiums on time. The Group has received advances or advance payments from its customers and its suppliers have supported the Group by extending the maturity dates. In addition, the Group has repaid bank loans amounting to approximately EUR 9.3 million from the last quarter of 2016 until the reporting date. The Group continued its activities without ceasing to experience a serious capacity problem.

The business plan that the Group has prepared includes uncertainties as well as significant assumptions and estimates of the management. When preparing the business plan, the management made estimates about the cash flows, future sales volume, EBITDA margin, capital expenditure and net working capital of the Group. These estimates are subject to significant uncertainty as there is no certainty that forecasted sales volumes and EBITDA margins will be achieved, capital expenditures can be completed, current loans will be restructured and net working capital will be maintained as estimated.

The sustainability of the Group depends on the positive result of the actions described above. If it does not result in favor the Group, it is not possible for the Group to continue its activities.

On the other hand, the Board of Directors of the Company has decided to prepare Indebtedness Balance Sheet in order to remove a possible risk and difficulty. The explanation on Indebtedness Balance Sheet are disclosed on Note 2.3.

2.3 The Status of Group's according to the Article 376 of the Turkish Commercial Code

Due to the above financial information, the Group has prepared the balance sheet in order to determine the status of the indebtedness against the Article 376 of the Turkish Commercial Code where the assets are valued at the probable selling price.

As at 31 December 2016, the details of the Group's consolidated registered paid-in capital and the status of shareholders equity were as follows:

	31 December 2016
Registered Paid-In Capital	66.844.800
Paid-In Capital + Legal Reserves	128.075.341
Shareholder's Equity	37.335.139

As at 31 December 2016, the details of the Group's consolidated financial statements against the Article 376 of the Turkish Commercial Code were as follows:

	31 December 2016
As at 31 December 2016 Shareholders' Equity	37.335.139
Add: Funds to result in valuation reports	86.934.458
License Agreements, net of tax effect	49.626.590
Valuation differences of tangible asset, net of tax effect	37.307.868
Shareholders' Equity Resulting From Valuation Reports	124.269.597

The rights of Brand License Agreement signed between Componenta Oyj and the Company on 9 September 2014, Brand License Agreement signed between Componenta Oyj and Componenta UK, the subsidiary of the Company, on 1 January 2015, and Production License Agreement signed between the Company and Componenta Främmestad AB, Componenta Oyj and Componenta Finland Oy were transferred to the Group according to the agreement signed on 24 April 2017.

Fair values of production license and brand license have been measured by an independent valuation firm as at 31 December 2016.

In the valuation report, fair value of the revenues directly related with production license until 2028 end and brand license until 2024 discounted by 16.6%, is measured amounting to TL 62.033.238 (Euro 16.721.000).

Valuation difference amounting to TL 62.033.238, occurred as a result of the fair value of production license and the brand license, has an effect of TL 49.626.590 increase on equity after netting of deferred tax effect of TL 12.406.648.

Fair values of tangible assets have been measured by an independent appraisal firm as at 31 December 2016. In the valuation 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 economic conditions that have arisen previously have been considered as well. In their valuation of machinery and equipment's it is considered that they are part of an on-going and operating entity as a whole, and their useful lives are longer than the self-depreciation period and their storage conditions are reliable.

- Valuation reports have been prepared according to related Capital Markets Board regulatory provisions.

- Valuation reports have been prepared by an independent appraisal firm which gives service according to Capital Markets Board regulatory provisions.

- Cost approach and market value methods and assumptions conditions have been taken into consideration.

Valuation difference amounting to TL 45.844.655, occurred as a result of the fair value of tangible assets, has an effect of TL 37.307.868 increase on equity after netting of deferred tax effect of TL 8.536.787.

Accordingly, when the fair value of the product production license and the brand license as at 31 December 2016 and the fair value increase of property, plant and equipment are recognised to shareholders equity, total of the equity is amounting to TL 124.269.597.

2.4. 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 at the date of the consolidated financial statements and have been prepared in accordance with TAS stated in Note 2.1.2 by applying uniform accounting policies and presentation. The results of operations of the subsidiary are included from effective date of acquisition.

Subsidiaries

The table below sets out the subsidiary and demonstrates the proportion of ownership interest as at 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Componenta UK Ltd.	100%	100%

Subsidiary is the entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The statement of financial position and statements of profit or loss and other comprehensive income of the subsidiary are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiary is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiary are eliminated during the consolidation. Unrealized losses are eliminated unless the transactions indicates an impairment in the transferred asset. The cost of, and the dividends arising from, shares held by the Company in its subsidiary are eliminated from shareholders' equity and income for the period, respectively.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Since Group has all shares of subsidiary, there is no non-controlling interest.

Investment in Associate

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

The following table shows the ratio of the Group's shares in the associate:

	31 December 2016	31 December 2015
Kumsan	25,10%	25,10%

2.5. Changes in TAS

a) Standards issued but not yet effective and not early adopted at 31 December 2016

Standards and interpretations issued but not yet effectiver

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary

changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments – Classification and measurement
As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option ("FVO") liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

TFRS 15 Revenue from Contracts with Customers
As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by IASB but not issued by POA
The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)
In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

IFRS 16 Leases
On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative
IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses
The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement

of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IAS 40 — Transfers of Investment Property
Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that the amendment will have significant impact on the financial position or performance of the Group.

b) Improvements to IFRSs
The IASB issued Annual Improvements to IFRSs - 2014—2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle
IFRS 1 "First Time Adoption of International Financial Reporting Standards"
IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.
IFRS 12 "Disclosure of Interests in Other Entities"
The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.
IAS 28 "Investments in Associates and Joint Ventures"
The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

2.6. Changes in Accounting Policies
Significant changes made in accounting policies and major accounting errors determined are applied and arranged to the prior period's financial statements.

There is not any accounting policy that was changed or planned to change in the consolidated financial statements and all accounting policies were applied consistently with the prior periods.

2.7. Comparative Information and Restatement of Prior Period Financial Statements
For the year ended 31 December 2016, consolidated financial statements are prepared comparatively with prior period. The Group presented consolidated statement of financial position as at 31 December 2016, comparatively with the consolidated statements of financial position prepared as at 31 December 2015 and; presented consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended on 31 December 2016 comparatively with consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended on 31 December 2015.

2.8. Changes in Accounting Estimates and Errors
Effect of changes in accounting estimates, if they are only related to one period, is recognized in the period that the change is made, if they are related with the future periods, is recognized in the current period and also in future periods, prospectively.

2.9. Summary of Significant Accounting Policies
Significant accounting policies used in the preparation of consolidated financial statements are summarized below:

Cash and cash equivalents
Cash and due from banks comprise cash on 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). 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 impairment
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 finance income, are measured at amortised cost, using the effective interest rate method, less the unearned finance 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. 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.

The Group uses the following criteria for impairment tests of all financial assets:

- The debtor is in significant financial trouble,
- The debtor fails to fulfil contract provisions such as payment of the principal or the interest,
- A privilege was granted to the debtor for financial or legal reasons,
- The debtor has gone through or is expected to go through a financial restructuring, and
- The future cash flow to the Group which results from the financial assets will decrease, based on independent data.

If the doubtful receivables amount decreases after collecting the whole or a portion of the amount, the release of the provision is credited to other income in the current period.

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 realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 9).

As at 31 December 2016, the Group owned mixed scrap of iron and sand which were accumulated as the result of production process over the years. The Group initiated a project to separate the iron from the scrap in order to use the iron component in the production. The Group capitalised cost of production under inventories as at 31 December 2016 in the accompanying consolidated financial statements. Such cost of production is based on the net realizable value estimate of the iron that will be separated during the project.

Property, plant and equipment

Land, land improvements and buildings are measured at their fair values and other property, plant and equipment acquired before 1 January 2005 are carried at cost and restated to the equivalent purchasing power at 31 December 2004 less accumulated depreciation. Items 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. Depreciation is charged so as to write off the cost or valuation of assets, using the straight-line method. Oncoming changes are reflected to financial statements taking into consideration the capacity utilization rates and economic and technologic developments.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds against carrying amounts and are included in income or expense from investing activities.

The Group has adopted "revaluation model" as permitted by TAS 16 "Property, plant and equipment" for its land, land improvements and buildings commencing from 31 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 less accumulated depreciation and impairment; if any as consistent with prior years. Fair values of lands, land improvements and buildings have been measured by an independent valuation firm as at 31 December 2015.

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 economic conditions that have arisen previously have been considered as well.
- Valuation reports have been prepared according to related Capital Markets Board regulatory provisions.
- Valuation reports have been prepared by an independent expertise firm which gives service according to Capital Markets Board regulatory provisions.
- Cost approach and market value methods and assumptions have been taken into consideration.
- There is no restriction in distribution of increase in revaluation fund to shareholders.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings are recognised as credit in the gain on revaluation and re-measurement account 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 in every 3-year period, in case that there are not any significant differences between fair value as at reporting date and net book value.

Decrease in book value arisen from the aforementioned revaluation process is recorded in profit or loss in case the revaluation exceeds the balance already included in gain on revaluation and re-measurement account related to previous revaluation of the aforementioned asset.

When a revaluated property, plant and equipment is disposed, gain on revaluation and re-measurement account related with property, plant and equipment is transferred to retained earnings.

At reporting date, for revaluated property, plant and equipment or items of property, plant and equipment denominated at their purchasing value, 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	15-30
Machinery and equipment	1-15
Furniture and fixtures	3-15
Motor vehicles	4-5

Intangible assets

Intangible assets comprise acquired rights. They are recorded at acquisition cost and less accumulated amortization and impairment; if any and amortized on the straight-line basis over their estimated useful lives for a period not exceeding 5-15 years from the date of acquisition.

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.

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of each asset except deferred tax asset 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. 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, 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 and other comprehensive income, 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. Reversal of impairment loss of goodwill is not possible. 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 in the statement of financial position until the collection of the trade receivable.

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 interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of profit or loss over the borrowing period.

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.

Share capital, dividends and share premium
Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Share premium represents the difference between nominal value of the publicly held shares and their sales prices.

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

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

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

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 26).

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 19).

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 income
Interest income is recognised using the effective interest method.

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

The Group records adjusting events after the reporting date and disclose non-adjusting events after the reporting 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:

Financial assets:
The fair values of cash and cash equivalents 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 advances given and loans to customers is calculated by determining cash flows discounted with current market interest rates. Carrying value of variable interest rate loans are approximately assumed as fair value.

Financial liabilities
The fair values of short-term borrowings and trade payables are considered to approximate their carrying 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 rates.

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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs in consolidated statement of profit or loss and other comprehensive income.

A contingent asset and liability is a possible asset that arises 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 entity and not recognised in the consolidated financial statements. Provisions shall not be recognised for future operating losses.

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" ("TAS 19").

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses. All actuarial differences are recognized immediately in other comprehensive income.

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.

Obligations under finance leases are stated in the consolidated 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 expenses
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. 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 28). 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 at period-end.

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

In Turkey, companies may 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 flows
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's 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. Since there is not a geographical segmentation in the Group's organizational and management structure and internal financial reporting for the Board of Directors, geographical segment reporting is not performed.

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.

2.10. 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 at reporting 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. The Group's significant accounting estimates are as follows:

(a) Useful lives of property, plant and equipment and intangible assets
Depreciation of property, plant and equipment, except machinery and equipment, is calculated using straight-line method over their useful lives. Useful lives are based on management's best estimates, are revised at each reporting date and the necessary corrections are made. Useful lives of each reporting period, the capacity utilization rate, and economic, technological developments are taken into account and the revised and necessary updates are reflected to the consolidated financial statements, prospectively.

The Group, reassessed useful lives and depreciation expense of machinery and equipment for the period 1 January – 31 December 2016 taking into consideration the capacity utilization rate and condition of machinery and equipment, and, if necessary update them in accordance with TAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

(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 require significant judgement in determining the provision for income taxes. The Group recognizes possible additional tax liabilities as a result of taxable situations (Note 26). 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 adjustments are made.

The Group estimated the discount rate which has been used in calculating provision for employment termination benefit as at 31 December 2016 as 4,84%, calculated by an independent actuary company.

(d) Net realizable value of waste inventories
As at 31 December 2015, the Group owned mixed scrap of iron and sand which were accumulated as the result of production process over the years. The Group initiated a project to separate the iron from the scrap in order to use the iron component in the production. The Group capitalised cost of production under inventories as at 31 December 2015 in the accompanying consolidated financial statements based on the net realizable value estimate of the iron that will be separated during the project.

(e) Value added tax carried forward
As at 31 December 2016, the Company has a total value added tax ("VAT") receivable of TL 27.388.819 (31 December 2015: TL 29.510.267) consisting of the Company's investments, sales, and purchases and resulting from various VATs (Note 17). The Company shall apply to the relevant tax office in order to net-off the VAT receivables or receive a VAT refund for 2016. Therefore, in accordance with a management decision, the relevant VAT receivables were classified under current assets and non-current assets in the statement of financial position.

(f) Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TAS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values of land, land improvements and buildings is included in the accounting policies. The fair value measurement of land, land improvements and building is categorized as Level 3 fair value based on the inputs to the valuation technique used.

3. SEGMENT REPORTING

Operating segments are evaluated in line with to the internal reporting and strategic divisions that are presented to competent organs or authorities to make decisions regarding the Group's operations. The aforementioned competent organ, which is authorized to make strategic decisions, is defined as the Board of Directors of the Company. The Group management determines operating segments according to the reports, which are evaluated during the Board of Director's decision making process. The Group's top executives follow the operation results as industrial segments. The Group considers high pressure, gray cast iron and wheel division as three separate business segments and provides segmental information in accordance with the requirements of the accounting framework used. The Group's top executives do not follow the operation results geographically, thus there is no geographical segment reporting.

Segment assets:	31 December 2016	31 December 2015
Gray cast iron	573.144.627	515.865.731
High pressure	182.492.907	195.418.188
Wheel	65.771.848	75.669.220
Unallocated assets (*)	90.333.773	318.717.783
Total assets per consolidated financial statements	911.743.155	1.105.670.922

(*) As at 31 December 2016, unallocated assets consist of loans and interests of loans landed to Componenta Oyj amounting to TL 12.591.208 (31 December 2015: TL 311.038.693), deferred tax assets amounting to TL 73.399.010 (31 December 2015: None), financial investments in Kumsan amounting to TL 4.060.133 (31 December 2015: TL 3.916.227) and current tax receivable amounting to TL 283.422 TL (31 December 2015: TL 1.837.237). As at 31 December 2015 receivables from personnel amount to TL 1.921.228.

Segment liabilities:	31 December 2016	31 December 2015
Gray cast iron	203.853.980	151.484.661
High pressure	57.592.674	42.797.333
Wheel	17.733.776	13.178.036
Unallocated liabilities (*)	595.227.586	520.097.891
Total liabilities per consolidated financial statements	874.408.016	727.557.921

(*) As at 31 December 2016, unallocated liabilities consist of bank borrowings. As at 31 December 2015, unallocated liabilities consist of bank borrowings amounting to TL 505.849.974 and deferred tax liabilities amounting to TL 14.247.917.

Segmental analysis for the year ended 31 December 2016:

	Gray cast iron	High pressure	Wheel	Total
External revenues	461.114.593	131.142.197	130.887.499	**723.144.289**
Operating expenses	(482.857.569)	(121.813.959)	(110.808.119)	**(715.479.647)**
Operating profit	(21.742.976)	9.328.238	20.079.380	**7.664.642**
Other operating income, net				**(1.107.779)**
Finance costs				**(127.245.194)**
Finance income				**54.434.498**
Share of profit of equity-accounted investees				**382.261**
Income from investing activities				**21.038.491**
Loss before tax				**(44.833.081)**
Tax income				**12.616.778**
Net loss for the year				**(32.216.303)**

Segmental analysis for the year ended 31 December 2015:

	Gray cast iron	High pressure	Wheel	Total
External revenues	511.694.298	134.807.422	155.062.505	801.564.225
Operating expenses	(496.338.279)	(123.799.892)	(134.935.251)	(755.073.422)
Operating profit	15.356.019	11.007.530	20.127.254	46.490.803
Other operating income, net				13.237.907
Finance costs				(82.875.099)
Finance income				13.395.634
Share of profit of equity-accounted investees				342.446
Income from investing activities				20.719.994
Profit before tax				11.311.685
Income tax expense				13.090.937
Net profit for the year				**24.402.622**

31 December 2016

	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	15.980.120	8.561.697	2.915.168	27.456.985
Capital expenditures	38.971.383	20.879.767	7.109.341	66.960.491

31 December 2015

	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	13.972.865	7.486.267	2.548.995	24.008.127
Capital expenditures	27.694.490	47.204.017	5.387.567	80.286.074

4. CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 31 December 2015, the details of cash and cash equivalents were as follows:

	31 December 2016	31 December 2015
Cash	8.588	2.164
Banks	6.511.728	16.801.795
Time deposits – EUR	--	120.749
Demand deposits – EUR	4.120.593	5.803.765
Demand deposits - Other currencies	2.391.135	10.877.281
	6.520.316	16.803.959
Restricted cash	(4.102.994)	(2.996.556)
Amounts based on cash flow statements	2.417.322	13.807.403

As at 31 December 2016, the Group does not have time deposits in their bank accounts. As at 31 December 2015, the Group has time deposits in their bank accounts in the amount of Euro 38.000. The time deposit has the interest rate of 0.01% and the maturity date is 4 January 2016.

As at 31 December 2016 there are restrictions on cash at bank balance amounting to TL 4.102.994 due to the letters of guarantee and cheques received (31 December 2015: TL 2.996.556).

Currency and interest rate risk and sensitivity analysis for the Group's financial assets and liabilities are disclosed in Note 29.

5. SHORT AND LONG TERM BORROWINGS

As at 31 December 2016 and 31 December 2015, the details of financial liabilities measured at amortized cost were as follows:

	31 December 2016	31 December 2015
Short-term bank loans and factoring payables	104.583.973	164.191.953
Short-term financial lease liabilities	16.747.416	11.147.405
	121.331.389	175.339.358
Short-term portions of long-term bank loans	490.643.613	84.378.343
Total short-term borrowings	611.975.002	259.717.701
Long-term bank loans	--	257.279.678
Long-term financial lease liabilities	19.216.421	16.985.419
Total long-term borrowings	19.216.421	274.265.097
Total financial liabilities	631.191.423	533.982.798

Short-term bank loans and factoring payables

	31 December 2016		
	Annual average interest rate %	Amount in original	TL
Short-term Euro borrowings (*)	5,75	24.299.385	90.148.288
Short-term Euro factoring payables (**)	19,1	1.955.237	1.955.237
Short-term TL borrowings	8,50	12.480.448	12.480.448
Total short-term bank loans and factoring payables			**104.583.973**

	31 December 2015		
	Annual average interest rate %	Amount in original	TL
Short-term Euro borrowings (*)	5,33	36.106.138	114.730.864
Short-term Euro factoring payables (**)	7,4	6.824.707	21.686.189
Short-term TL factoring payables (**)	18,9	27.145.791	27.145.791
Short-term foreign currency indexed factoring payables (**)	7,4	146.285	629.109
Total short-term bank loans and factoring payables			**164.191.953**

(*) Short-term Euro borrowings consist of working capital loan and bank borrowings obtained from Exim Bank. These borrowings are unsecured.
(**) Short-term factoring borrowings consist of revocable factoring payables. These factoring payables are secured by invoice assignments amounting to TL 1.955.237 (31 December 2015: TL 36.739.089).

Long-term bank loans and short-term portion of long-term bank loans

	31 December 2016		
	Annual average interest rate %	Amount in original	TL
Short-term portion of long-term Euro bank loans	6,7	132.252.517	490.643.613
Long-term bank loans			**490.643.613**

Long-term bank loans and short-term portion of long-term bank loans are secured. The details of colleterals are disclosed in Note 15.b.

The Group has financial and non-financial covenants related with bank borrowings. Since the Group can not fulfill its financial and non-financial covenants on bank borrowings as at 31 December 2016, long-term borrowings are classified as short-term bank borrowings in the consolidated financial statements. There is no difference between carrying value of short-term loans in statement of financial position and fair value of short-term loans.

Fair value of long-term financial borrowings is TL 318.780.099 as at 31 December 2015.

	31 December 2015		
	Annual average interest rate %	Amount in original	TL
Euro bank loans	6,7	80.966.666	257.279.678
Short-term portion of long-term Euro bank loans	6,7	26.554.111	84.378.343
Long-term bank loans			**341.658.021**

Redemption schedules of short-term and long-term borrowings at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Up to 1 year	595.227.586	248.570.296
1 to 2 years(*)	--	74.113.116
3 to 4 years(*)	--	41.048.434
Over 4 years(*)	--	142.118.128
	595.227.586	505.849.974

(*) The Group has financial and non-financial covenants related with bank borrowings. Since the Group can not fulfill its financial and non-financial commitments on bank borrowings as at 31 December 2016, long-term borrowings are classified as short-term bank borrowings in the consolidated financial statements.

Details of the Group's variable and fixed interest rate loans as at 31 December 2016 were as follows:

	31 December 2016	31 December 2015
Variable interest rate loans	488.276.560	341.658.020
Fixed interest rate loans	106.951.026	164.191.954
	595.227.586	505.849.974

The Group has requested the deferral of the maturity date of bank loans amounting to Euro 1.400.000 due dated 31 December 2016 and Euro 2.913.334 due dated January-March 2017 and this request has been accepted by the banks.

The Group signed a new loan agreement with Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank"), Türkiye Halk Bankası A.Ş. ("Halkbank"), Türkiye İş Bankası ("İş Bankası") and T.C. Ziraat Bankası ("Ziraat Bankası") on 13 August 2014. This loan agreement tied total loan debts amounting to 90.000.000 Euro of the Group to Vakıfbank, Halkbank, İşbank, and Ziraat Bank with a single contract and it brought important updates to guarantees subject to loan, refund and structure of the loan. With one year non-refundable, Euro 70.000.000 portion is related to the refinancing of old loans and has maturity of 7 years. Euro 20.000.000 portion is related to working capital requirement and is intended to be used as both cash and non-cash limit. This agreement has been amended on 17 June 2015.

The Group has used bank loans amounting to Euro 15 million from Tranch E in the scope of supplemental agreement signed on 28 July 2016.

An additional loan supplemental agreement was signed on 4 October 2016 for using Euro 3.300.000 bank loan and on 13 October 2016 for using Euro 9.000.000 non-cash loan. The principal payment plans of Euro 65.000.000 Tranch A and Euro 20.000.000 Tranch C loans were revised within the framework of the supplemental agreement signed on 13 October 2016. With this change, the amount of the installment payments of the loans amounting to Euro 21,8 million was extended to the forward maturity and

this amount has been deferred by adding to the installment payments as Euro 0,1 million in 2019, Euro 2,5 million in 2020 and Euro 2,5 million in 2021.

In addition, the Group restructured the maturity of the loan in the scope of the Tranch B amounting to Euro 13.5 million as 24 months as disclosed in Special Circumstances Disclosure dated 11 April 2016.

The Group has financial and non-financial covenants in the loan agreement. Guarantees given for the bank loan agreement are disclosed in Note 15. There are two financial covenants to be fulfilled by the Group. These financial covenants are Debt Service Coverage Ratio and Leverage Ratio.

Debt Service Coverage Ratio means the ratio of the amount calculated by deducting the taxes paid in connection with related calculation period from earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) to the aggregate of all due amounts which are defined within the financial indebtedness, including without limitation principal, interest, fees, expenses, commissions and the breakage cost and indemnification, which are paid, accrued or have to be paid. Debt Service Coverage Ratio shall not be less than 1.20.

Leverage ratio means the rate of net Financial Debt, to Earnings before Interest, Taxes, Depreciation and Amortization. Leverage ratio shall not be more than 4,5 for 2016. In case of failure to fulfill one of the covenants of the Group will be in default condition.

Since the Group can not fulfill its financial and non-financial covenants on bank borrowings as at 31 December 2016, long-term borrowings are classified as short-term bank borrowings in the consolidated financial statements.

Except for the permitted encumbrances, any mortgage, pledge, assignment or any other security to be granted by the Group and their becoming surety, guarantor in relation to their own liabilities or the liabilities of third persons, shall be subject to the prior written consent of the lenders.

For the Group to distribute the second dividend other than the first dividend or to distribute the dividend advance or to make any similar payment under any name whatsoever all of the below conditions must be fulfilled:
- There shall be no default or event of default;
- Debt Service Coverage Ratio must be at least 1,35;
- Leverage shall not be more than 5 for 2014 and more than 3,5 for the following years;
- Written confirmation of the lenders stating that the above mentions conditions have been fulfilled shall have been obtained; and at least 50% of the second dividend amount, allocated for the shares of Componenta Oyj, without being paid to the Componenta Oyj, shall have been used for the mandatory repayment under the Intra-Group Loan by way of set-off.

Componenta Oyj shall not sell, transfer, assign to any third person or conduct any disposal by any means, the shares of Group held by the Componenta Oyj and/or its pre-emptive rights within the scope of the capital increases of the Group, any of the rights in relation to and on such shares, without prior written consent of all of the lenders or shall not sign any agreement or document for this purpose or make agreement, give undertaking to this effect. For the avoidance of doubt, any control change in the shareholding structure of the Group as at the signing date is subject to prior written consent of all of the lenders.

Without prior written consent of the lenders, Componenta Oyj shall not vote for any change (increase or decrease) in the share capital of the Group or shall not conduct any proceeding intended to change the share capital of the Group.

The Group's main shareholder, Componenta Oyj, on 1 September 2016 has announced in Helsinki Stock Exchange that bankruptcy for facilities in Dutch and restructuring for subsidiaries in Sweden and Finland has been started.

As a result of these developments, according to Share Pledge Agreement signed between Componenta Oyj and the lenders of the Group on 16 June 2016 İş Yatırım Menkul Değerler A.Ş. has been authorized for the sale of shares that are pledged as guarantee in favor of the banks.

Redemption schedule of finance lease liabilities were as follows:

	31 December 2016			31 December 2015		
	Minimum financial leasing payment	Interest	Total liabilities	Minimum financial leasing payment	Interest	Total liabilities
Short-term portion						
2016	--	--	--	12.593.701	(1.446.296)	11.147.405
2017	18.365.942	(1.618.526)	16.747.416	--	--	--
Short-term portion	**18.365.942**	**(1.618.526)**	**16.747.416**	**12.593.701**	**(1.446.296)**	**11.147.405**
Long-term portion						
2017				9.177.111	(746.305)	8.430.806
2018	11.178.414	(687.230)	10.491.184	6.041.466	(300.076)	5.741.390
2019	8.045.774	(248.561)	7.797.213	2.883.586	(70.363)	2.813.223
2020	942.807	(14.783)	928.024	--	--	--
Long-term portion	**20.166.995**	**(950.574)**	**19.216.421**	**18.102.163**	**(1.116.744)**	**16.985.419**
	38.532.937	**(2.569.100)**	**35.963.837**	**30.695.864**	**(2.563.040)**	**28.132.824**

The interest rateS of financial leasing are between 4.30% and 6.00%.
Currency and interest rate risk and sensitivity analysis for the Group's financial assets and liabilities are disclosed in Note 29.

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables:

As at 31 December 2016 and 31 December 2015, the details of the Group's trade receivables were as follows:

	31 December 2016	31 December 2015
Due from related parties (Note 28.a.i.)	--	161.424.813
Receivables from third parties	40.649.515	36.513.510
- Customer accounts	37.291.766	34.626.642
- Income accruals (*)	3.357.749	--
- Cheques and notes	--	1.886.868
Less: Provision for doubtful receivables	(3.722.736)	(3.369.336)
Short-term trade receivables	36.926.779	194.568.987
Receivables from related parties (Note 28.a.ii.)	99.955.005	--
Long-term trade receivables	99.955.005	--
Total	136.881.784	194.568.987

(*) As at 31 December 2016, all of the income accruals consist of not invoiced receivables.

Aging analysis for trade receivables

As at 31 December 2016 and 31 December 2015, maturities of trade receivables, for which no bad debt provision has been accounted, were as follows:

	31 December 2016	31 December 2015
Overdue receivables	118.908.356	130.611.870
0-30 days maturity	5.507.718	14.987.926
31-90 days maturity	8.688.871	47.671.594
91 days and over	3.776.839	1.297.597
	136.881.784	194.568.987

As at 31 December 2016 and 31 December 2015, overdue days of receivables are as follows:

Days overdue	31 December 2016	31 December 2015
0 – 1 month	6.619.149	--
1 – 3 months	11.501.077	83.069.065
3 months and over	100.788.130	47.542.805
	118.908.356	130.611.870

TL 99.955.005 of total overdue receivables comprises due from related parties (31 December 2015: TL 127.463.738).

Letters of guarantee received from the customers related with trade receivables are amounting to TL 2.300.000 (31 December 2015: TL 2.655.000), and the long-term notes payable are amounting to TL 400.000 (31 December 2015: TL 400.000).

For the years ended 31 December 2016 and 31 December 2015, the movement of provision for doubtful receivables were as follows:

	2016	2015
1 January	3.369.336	3.143.185
Provision cancelled	962.078	--
Collections	(1.151.915)	--
Foreign exchange difference	543.237	226.151
31 December	3.722.736	3.369.336

Trade receivables have approximately 1-2 months of maturity terms on average (31 December 2015: 1-4 months). The Group's currency and interest rate risks are disclosed in Note 29.

Trade payables

As at 31 December 2016 and 31 December 2015, the details of the Group's trade payables were as follows:

	31 December 2016	31 December 2015
Payables to related parties (Note 28.b)	17.519.221	4.864.497
Payables to third parties	148.175.935	114.789.277
- Trade payables	85.506.238	103.310.000
- Notes payable	62.669.697	11.479.277
	165.695.156	119.653.774
Less: Unearned credit finance expense	--	(10.781)
	165.695.156	119.642.993

Trade payables have approximately 1-4 months of maturity terms on average (31 December 2014: 1-2 months). The Group's currency and interest rate risks are disclosed in Note 29.

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Short-term other receivables:

As at 31 December 2016 and 31 December 2015, the details of short-term other receivables were as follows:

	31 December 2016	31 December 2015
Deposits and guarantees given		
Financial receivables from related parties	485.244	395.020
- Componenta Oyj (*)	--	104.494.693
Due from personnel (Note 28)	--	1.921.228
	485.244	106.810.941

Long-term other receivables:

As at 31 December 2016 and 31 December 2015, the details of long-term other receivables were as follows:

	31 December 2016	31 December 2015
Financial receivables from relates parties		
- Componenta Oyj (*)	12.591.208	206.544.000
	12.591.208	206.544.000

(*) As at 31 December 2016, the aforementioned amount consists of loans lent by the Company to Componenta Oyj amounting to EUR 75.000.000 and lent by Componenta UK Limited to Componenta Oyj amounting to GBP 14.714.700, these loans consist of interest accruals amounting to TL 19.786.132 and together with the discounted amount of TL 3.093.552 (Euro 833.864) the total amount of TL 358.486.398 is recognised under shareholders' equity since the collection of respective receivables is not possible.

The aforementioned amount consists of loans lent to Componenta Oyj amounting to EUR 75.000.000 and allocated by Componenta UK Limited amounting to GBP 13.867.414; total loan amount is TL 297.959.587 and their interest accruals amounting to TL 9.327.980 as at 31 December 2015.

According to Serial IV No: 41 "Capital Markets Law and subject to the Communiqué on the Principles to be Followed by Joint Stock Companies" transfer of assets between related parties which exceeds 10% of total assets should be in arm's length. In this scope, the Group has determined interest rate of loans lent to Componenta Oyj by adding 10% margin on interest rates of loans, for the period of borrowed loans, as a base. Annual effective interest rate of the loans lent to Componenta Oyj is 8% for Euro and 5,5% for GBP.

Other Payables

As at 31 December 2016 and 31 December 2015, the details of other payables were as follows:

	31 December 2016	31 December 2015
Installed tax liabilities of prior periods(*)	5.607.317	--
Other refundable VAT	3.522.862	1.135.185
Due to related parties	--	23.653
	9.130.179	1.158.838

	31 December 2016	31 December 2015
Installed tax liabilities of prior periods(*)	519.846	--
Long-term other liabilities	519.846	--

(*) As a result of the consensus negotiations on tax assessments, the Group recorded an expense accrual related to tax penalties amounting to TL 8,585,421, consisting of management fee inspection amounting to TL 7,537,372 and a inventory netting inspection amounting to TL 1,048,048. The Group has paid penalty with discount amounting to TL 2.458.258 in the current year.

8. PAYABLES RELATED TO EMPLOYEE BENEFITS

As at 31 December 2016 and 31 December 2015, the payables related to employee benefits were as follows:

	31 December 2016	31 December 2015
Personnel income tax and stamp tax payables	5.515.694	4.155.386
Payables to the personnel	4.830.342	2.925.190
Payables to social security institution	3.739.972	2.665.736
	14.086.008	9.746.312

9. INVENTORIES

As at 31 December 2016 and 31 December 2015, the details of the inventories were as follows:

	31 December 2016	31 December 2015
Raw materials	37.639.365	44.604.953
Work-in-progress	7.482.063	6.507.518
Finished goods	63.361.508	48.178.501
Other (*)	11.811.583	11.611.520
	120.294.519	110.902.492
Less: Provision for net realisable value of inventories (**)	(718.892)	(495.766)
	119.575.627	110.406.726

(*) Other inventories consist of models and molds produced on order.
(**) Consists of net realizable value difference.

For the years ended 31 December 2016 and 2015, movement of impairment provision is as follows:

	2016	2015
Balance at 1 January	495.766	863.875
Provision for diminution in value of inventories during the period	467.512	--
Cancellation of provision	--	(459.999)
Foreign currency translation differences	(244.386)	91.890
Balance at 31 January	718.892	495.766

For the period from 1 January to 31 December 2016, a portion amounting to TL 250.377.367 of the cost of goods sold is related to raw material and supplies usage (1 January – 31 December 2015: TL 273.135.903). Impairment provisions and cancellations on inventory are included in cost of sales.

10. PREPAID EXPENSES

Current prepaid expenses

As at 31 December 2016 and 31 December 2015, the details of the current prepaid expenses were as follows:

	31 December 2016	31 December 2015
Prepaid expenses for the following months	3.767.982	1.191.586
Advances given to suppliers	2.058.126	685.964
Deferred finance costs (*)	1.631.310	1.160.375
	7.457.418	3.037.925

Non-current prepaid expenses

As at 31 December 2016 and 31 December 2015, the details of the non-current prepaid expenses were as follows:

	31 December 2016	31 December 2015
Deferred finance costs (*)	5.301.759	8.043.849
Advances given to suppliers	466.705	--
Advances given for fixed assets	--	5.756.454
	5.768.464	13.800.303

(*) The respective prepaid expenses consist of commission and lawyer expenses of loan amounting to Euro 120.000.000.

11. EQUITY-ACCOUNTED INVESTEES

Investment in associates:

As at 31 December 2016 and 31 December 2015, the details equity-accounted investees were as follows:

	31 December 2016		31 December 2015	
	Associate Share %	Associate Amount	Associate Share %	Associate Amount
Kumsan	25,10	4.060.133	25,10	3.916.227

For the years ended 31 December, movements of the equity-accounted investees are as follows:

	2016	2015
1 January – Investment in associates	3.916.227	3.727.580
Share of profit of equity-accounted investees	382.261	342.446
Dividends received	(75.300)	(75.300)
Foreign currency translation differences	(163.055)	(78.499)
31 December – Investment in associates	4.060.133	3.916.227

Information related with the financial statements of Kumsan were as follows:

	31 December 2016		31 December 2015	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	18.667.810	2.491.981	16.978.235	1.375.739

	31 December 2016		31 December 2015	
	Revenue	Net income	Revenue	Net income
Kumsan	15.357.561	1.218.227	11.720.787	1.048.365

12. PROPERTY, PLANT AND EQUIPMENT

For the years ended 31 December 2016 and 2015, movements of property, plant and equipment were as follows:

	Lands	Buildings and land improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress (*)	Total
Opening net carrying value, 1 January 2015	77.030.714	48.761.205	159.306.934	7.389.206	18.798	21.243.911	313.750.768
Additions	8.501.429	614.794	18.778.789	2.526.730	--	46.490.640	76.912.382
Disposals	--	--	(41.349)	--	--	--	(41.349)
Transfers	--	59.904	9.493.640	572.868	--	(2.125.206)	8.001.206
Foreign currency translation differences	8.587.447	5.539.527	19.530.035	1.015.679	1.718	5.054.000	39.728.406
Depreciation charge	--	(2.984.356)	(17.271.225)	(1.496.065)	(12.394)	--	(21.764.040)
Depreciation transfer	--	(9.284)	(1.141.991)	(88.785)	--	--	(1.240.060)
Revaluation differences	(4.591.633)	(1.442.236)	--	--	--	--	(6.033.869)
Disposals from accumulated depreciation	--	--	9.952	--	--	--	9.952
Closing net carrying value, 31 December 2015	**89.527.957**	**50.539.554**	**188.664.785**	**9.919.633**	**8.122**	**70.663.345**	**409.323.396**
Opening net carrying value, 1 January 2016	**89.527.957**	**50.539.554**	**188.664.785**	**9.919.633**	**8.122**	**70.663.345**	**409.323.396**
Additions	**--**	**10.214**	**45.385.403**	**3.542.882**	**70.924**	**17.700.464**	**66.709.887**
Disposals(**)	(3.216.952)	(8.424.976)	(19.912.262)	(274.253)	--	(17.970)	(31.846.413)
Transfers	--	41.859.656	29.913.807	2.578.961	--	(74.352.424)	--
Foreign currency translation differences	14.997.399	8.466.202	31.324.633	1.661.761	1.356	11.837.200	68.288.551
Depreciation charge	--	(4.000.655)	(17.574.686)	(2.835.978)	(17.584)	--	(24.428.903)
Disposals from accumulated depreciation	--	4.135.495	17.381.895	246.740	--	--	21.764.130
Closing net carrying value, 31 December 2016	**101.308.404**	**92.585.490**	**275.183.575**	**14.839.746**	**62.818**	**25.830.615**	**509.810.648**

TL 26.627.877 (31 December 2015: TL 23.015.036) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TL 829.108 (31 December 2015: TL 993.091) to general administrative expenses. As at 31 December 2016, the net carrying value of leased assets is amounting to TL 60.630.306 (31 December 2015: 41.014.011).

(*) Current investment comprised of costs of factory land, factory building and production facility located in Manisa Industrial Zone.
(**) As at 31 December 2016, disposals consist of sales of molds amounting to TL 6.755.506, sales of Manisa plant amounting to TL 11.641.928 and major part of other disposals consist of Manisa plant's machinery and equipment disposals.

13. INTANGIBLE ASSETS

For the years ended 31 December 2016 and 2015, movements of intangible assets were as follows:

	Rights	Total
Cost		
1 January 2015 opening balance	16.988.581	16.988.581
Additions	3.373.692	3.373.692
Transfers	(8.001.206)	(8.001.206)
Translation differences	932.689	932.689
31 December 2015 closing balance	13.293.756	13.293.756
1 January 2016 opening balance	13.293.756	13.293.756
Additions	250.604	250.604
Translation differences	2.226.922	2.226.922
31 December 2016 closing balance	15.771.282	15.771.282
Accumulated Amortization		
1 January 2015 opening balance	7.354.443	7.354.443
Additions	2.244.087	2.244.087
Transfers	(1.240.060)	(1.240.060)
Translation differences	(262.994)	(262.994)
31 December 2015 closing balance	8.095.476	8.095.476
1 January 2016 opening balance	8.095.476	8.095.476
Additions	3.028.082	3.028.082
Translation differences	1.356.126	1.356.126
31 December 2016 closing balance	12.479.684	12.479.684

	Rights	Total
Net carrying value		
31 December 2015	5.198.280	5.198.280
31 December 2016	3.291.598	3.291.598

14. GOODWILL

Goodwill is amounting to TL 4.206.485 as at 31 December 2016 (31 December 2015: TL 3.602.934). Goodwill has arisen due to the acquisition of Componenta UK Ltd. shares in 2006.

	2016	2015
1 January	3.602.935	2.989.519
Translation Differences	603.550	613.416
31 December	4.206.485	3.602.935

Related with goodwill occurred in acquisition of Componenta UK Ltd, the Group compared value in use of cash generating unit with goodwill carried in the consolidated statement of financial position and concluded that there is no impairment.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

As at 31 December 2016 and 31 December 2015, the details of other current provisions were as follows:

	31 December 2016	31 December 2015
Provisions for litigation (*)	4.859.510	3.892.431
Provisions for energy and water expenses (***)	2.087.279	--
Unused vacation pay liability (**)	1.089.264	890.805
Provisions for waste disposals (****)	--	6.221.738
Other short-term provisions (*****)	1.965.656	--
	10.001.709	11.004.974

(*) There were 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 were reflected to the consolidated financial statements as at 31 December 2016 and 31 December 2015 by deducting the compensable amount of insurance from estimated payments.

(**) In Turkey, according to the legislation, the employer has to make payments for unused vacation days when the personnel leave the company.

(***) As at 31 December 2016, provision consists of not invoiced electricity, natural gas and water expense accruals for the year 2016.

(****) According to the documents dated on 20 May 2015 from the Ministry of Environment and Urbanisation, waste materials occurred after production in inventory field must be disposed until the given deadline. As at 31 December 2015, provision has been recognised in the consolidated financial statements for total costs of this disposal process.

(*****) As at 31 December 2016, other short-term provisions amounting to TL 1.432.021 consist of provisions that are reserved against probable quality and guarantee risks of the parts sold.

As at 31 December 2016 and 31 December 2015, movements of provisions of the Group are as follows:

	1 January 2016	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2016
Provisions for waste disposals	6.221.738	--	1.042.246	(7.263.984)	--
Provisions for litigation	3.892.431	878.859	88.220	--	4.859.510
Unused vacation pay liability	890.805	49.234	149.225	--	1.089.264
Provisions for energy and water expenses	--	1.877.758	209.521	--	2.087.279
Other short-term provisions	--	1.965.656	--	--	1.965.656
Total	11.004.974	4.771.507	1.489.212	(7.263.984)	10.001.709

	1 January 2015	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2015
Provisions for waste disposals	--	5.906.728	315.010	--	6.221.738
Provisions for litigation	3.333.022	500.597	58.812	--	3.892.431
Unused vacation pay liability	873.178	92.857	(75.230)		890.805
Total	4.206.200	6.500.182	298.592	--	11.004.974

b) Guarantee Letters, Pledges and Mortgages ("GPM") Given by the Group:

The Group's guarantee letters/ pledges/ mortgages (GPMs) position as at 31 December 2016 and 31 December 2015 were as follows:

31 December 2016	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
A. GPMs given on behalf of the Company's legal personality	1.730.864.942	1.081.632.442	--	175.000.000
B. GPMs given in favour of subsidiaries included in full consolidation	--	--	--	--
C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business	--	--	--	--
D. Other GPMs	--	--	--	--
i.GPMs given in favour of parent company	--	--	--	--
ii.GPMs given in favour of group companies not in the scope of B and C above	--	--	--	--
iii.GPMs given in favour of third-party companies not in the scope of C above	--	--	--	--
Other	--	--	--	--
Total GPMs	**1.730.864.942**	**1.081.632.442**	**--**	**175.000.000**
Other GPMs	--	--	--	--

Ratio of other GPMs given by the Group to the Group's equity is 4636% as at 31 December 2016 (31 December 2015: 369%).

As at 31 December 2016, lender banks Vakıfbank, Halk Bankası, İş Bankası and Ziraat Bankası have first degree and first ranking mortgage in the amount of EUR 135.000.000 and second degree and first ranking mortgage in the amount of TL 200.000.000, pursuant to the participation ratio on all of the property, plant and equipment of the Group under the contract dated 13 August 2014. With supplemented agreement dated 17 June 2015, amount of existing mortgages have been increased on first degree and first ranking to TL 150.000.000 and second degree and first ranking to TL 300.000.000.

Other than that, same banks have first degree and first ranking pledge in the amount of TL 400.000.000 on portable business facilities, trade name, company name, patent rights, brands, models, paintings, licenses and every kind of accessories, fixtures, essential part, syllabus and details without recourse, jointly and pursuant to the participation ratio. With supplemented agreement dated 17 June 2015, amount of existing pledge of assets have been increased TL 600.000.000 with the same scope.

In accordance with the supplemental agreement dated 24 November 2016, the commercial enterprise pledge was amended and increased to TL 720.000.000 TL with the previous scope has been valid.

Letters of guarantees given which are amounting to TL 11.632.442 were composed of guarantees given to the Undersecretariat of Customs, customs offices, chamber of commerce, tax authorities, electricity and natural gas suppliers, raw material suppliers and law courts related with ongoing legal cases.

31 December 2015	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
A. GPMs given on behalf of the Company's legal personality	1.431.649.049	955.009.049	--	150.000.000
B. GPMs given in favour of subsidiaries included in full consolidation	--	--	--	--
C. GPMs given by the Company for the liabilities of third parties in order to run ordinary course of business	--	--	--	--
D. Other GPMs	--	--	--	--
i.GPMs given in favour of parent company	--	--	--	--
ii.GPMs given in favour of group companies not in the scope of B and C above	--	--	--	--
iii.GPMs given in favour of third-party companies not in the scope of C above	--	--	--	--
Other	--	--	--	--
Total GPMs	**1.431.649.049**	**955.009.049**	**--**	**150.000.000**
Other GPMs	--	--	--	--

c) Letters of Guarantee Received:

	31 December 2016	31 December 2015
Letters of guarantee received	5.874.801	8.673.111
Guarantee cheques and notes received	5.459.890	5.579.624
Total guarantees received	**11.334.691**	14.252.735

Letters of guarantees received consist of guarantees received from customers, suppliers and subcontractors.

d) Contingent Liabilities

Stamp Tax and Corporate Tax, Corporate Tax Stoppage, Income Tax Stoppage and Value Added Tax Advance Investigation

The Group's operations for the periods between January 2007 and June 2010 had been inspected in accordance with Stamp Tax Duty, Corporate Tax, Withholding Tax of Corporate Tax and Income Tax and Valued Added Tax and penalty and late payment amounting to TL 4.356.553 had been declared for Corporate Tax and Value-Added Tax. The Group paid this amount on 12 August 2013 and demanded cancellation of substantially payment and claimed a stay of execution.

As the result of appeal submission, Supreme Court ruled in the Company's favor and consequently, all the amounts of case together with overdue interests and late fees totally TL 4.355.000, were refunded to the Company. TL 1.901.000 of this amount has been recognized in other operating income, TL 1.534.000 of this amount has been recognized in finance income and TL 920.000 of this amount has been recognized in tax income. The tax office's appeal submissions for cases numbered 2013/368-369-370 have been rejected; these cases will be handled by local court. However, the Group requested restructuring of the existing tax debts in accordance with the Restructuring of Certain Receivables Law No. 6736 - and the General Communiqué from Orhangazi Tax Office and the related notification was notified from the tax office.

Management Fee Investigation

On 18 December 2015, the Ministry of Finance declared the Company the inspection of the Company's accounts and transactions for the years 2010, 2011, 2012, 2013, 2014 and 2015 based on tax regulations. Within the scope of inspection, management fee invoices by Componenta Oyj and other information about these invoices have been requested. According to this declaration related accounts have been started to be inspected by tax inspectors on 22 December 2015.

In accordance with the related report dated 26 January 2016, the total amount of TL 11.483.259,61 for Withholding and VAT Tax Principle and the total amount of TL 17.224.889,42 for such tax penalty was declared by the Bursa Ertuğrulgazi Tax Office and the Bursa Orhangazi Tax Office on 28-30 September 2016. In accordance with the "Communiqué on Law No. 6736 Regarding Restructuring of Certain Receivables and the General Law", tax reduction has been applied for the reduction of tax penalty, reduction of delinquency and reduction of installments and installment. In this frame, the total tax liability to be paid by the Group shall be reduced to TL 7.024.161 and shall be paid with 6 installments in every 2 months period. As at 31 December 2016, TL 1.986.921 of the debts was paid.

16. EMPLOYEE BENEFITS

Long term provisions related to Employee benefits

	31 December 2016	31 December 2015
Provision for employment termination benefits	33.577.659	31.576.834
	33.577.659	31.576.834

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

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.297 for each year of service as at 31 December 2016 (31 December 2015: TL 3.828).

The liability is not funded in legally and 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 2016	31 December 2015
Annual discount rate (%)	4,84	4,08
Turnover rate to estimate the probability of retirement (%)	95	95

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the liability cap for each year of service is adjusted once in every six months the maximum amount of TL 4.297, which is effective from 1 January 2016

(1 January 2015: TL 3.828), has been considered in the calculation.

For the years ended 31 December movements of provision for employment termination benefits were as follows:

	2016	2015
1 January	31.576.834	25.269.994
Interest cost	2.300.324	2.629.271
Current year service cost	1.838.180	1.909.562
Actuarial loss	8.444.138	6.852.304
Foreign currency translation differences	(1.554.374)	(1.087.563)
Payments during the period	(9.027.443)	(3.996.734)
31 December	33.577.659	31.576.834

17. OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December 2016 and 31 December 2015, details of other current assets were as follows:	**31 December 2016**	31 December 2015
Export registered VAT receivables	5.183.090	6.607.521
Deductible VAT	--	11.902.746
Other	22.979	309.739
	5.206.069	18.820.006

Other non-current assets

	31 December 2016	31 December 2015
Long Term export registered VAT Receivables (*)	22.205.729	11.000.000
	22.205.729	11.000.000

(*) Long term VAT receivables are estimated to be collected in more than one year in accordance with the Group's forecasts, thus represented in other non-current assets as at 31 December 2016 and 2015.

Other short-term liabilities

As at 31 December 2016 and 31 December 2015, details of other short-term liabilities were as follows:	**31 December 2016**	31 December 2015
Deferred revenue	6.405.116	5.168.125
Advances received	2.068.362	246.343
Expense accruals	290.214	326.133
Other short-term liabilities (*)	1.442.344	456.654
	10.206.036	6.197.255

(*) As at 31 December 2016, TL 1.134.880 portion of other short-term liabilities consists of liabilities to trade union.

18. SHAREHOLDERS' EQUITY

Paid-in Capital

The Company applies registered capital system which is recognized by BIST registered companies. The Company identified share capital amounting to TL 250.000.000 for registered shares with a nominal value of TL 0,01. The composition of the Company's statutory paid-in capital at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Registered Capital (with historical value)	250.000.000	250.000.000
Approved and paid-in capital (nominal value)	66.844.800	66.844.800

The composition of the Company's statutory paid-in capital at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016	**Shareholding Percentage (%)**	31 December 2015	Shareholding Percentage (%)
Componenta Oyj	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 6.684.480.000 shares (31 December 2015: 6.684.480.000 shares) each with the nominal value of Kr 1 as at 31 December 2016. The Company has no privileged shares.
As at the reporting date, Componenta Oyj has lost its power to control the Company's operations, even though it remains the legal owner of the Company shares as disclosed in Note 1.

Inflation Adjustment Differences on Paid-In Capital
Adjustment to share capital represents the inflation restatement effect of the cash contributions to share capital.

Share Premium
As at 31 December 2016 and 31 December 2015, the Group's share premium is amounting to TL 161.041.

Gain on Revaluation and Re-measurement
The gain on revaluation and re-measurement reserve relates to the revaluation of property, plant and equipment.

Remeasurements of Defined Benefit Liability
The reserve comprises of actuarial gains or loss from defined benefit plans recognized in other comprehensive income as a result of TAS 19 (2011).

Foreign Currency Translation Differences
Foreign currency translation differences comprises of foreign currency differences arising from the translation of the financial statements.

Prior Year's Profits
As at 31 December 2016 and 31 December 2015, the Group's prior year's profits are amounting to TL 93.112.258 and TL 68.515.018, respectively.

Legal reserves
Kardan ayrılan kısıtlanmış yedekler yasal yedeklerden oluşmaktadır. Türk Ticaret Kanunu'na göre, yasal yedek akçeler, birinci ve ikinci tertip yasal yedek akçelerden oluşmaktadır. Birinci tertip yasal yedekler, tüm yedekler tarihi (enflasyona göre endekslenmemiş) ödenmiş sermayenin %20'sine erişene kadar, geçmiş dönem karının yıllık %5'i oranında ayrılmaktadır. İkinci tertip yasal yedekler, birinci tertip yasal yedek ve temettülerden sonra, tüm nakdi temettü dağıtımları üzerinden yıllık %10 oranında ayrılır. Şirket, 2016 yılında 1.108.251 TL tutarında yasal yedeklere transfer gerçekleştirmiştir (31 Aralık 2015: 2.738.753 TL). Grup'un 31 Aralık 2016 tarihi itibarıyla yasal yedekleri 16.035.194 TL (31 Aralık 2015: 14.926.943 TL) tutarındadır.

Other Equity Interest
As at 31 December 2016, the Group has recognised the uncollectible portion of the trade and financial receivables from related parties based on the payment capacity of the counterparties which resulted in restructuring due to financial difficulties experienced by the parent and its subsidiaries amounting to TL 429.474.292 and the deferred tax effect of TL 73.947.211 which is deemed to be recovered in future periods related to these receivables as other equity interest under equity.

As at 31 December 2016, details of trade and financial receivables from related parties and uncollectible portion were as follows:

	Gross value of receivables	**Uncollectible receivables**
Financial Receivables-Componenta Oyj	358.486.398	(345.895.190)
Trade Receivables- Componenta Frammestad	125.406.384	(31.342.656)
Trade Receivables - Componenta B.V.	35.868.471	(34.204.842)
Trade Receivables - Componenta Finland Oy Högfors	22.172.807	(18.031.604)
Trade Receivables - Componenta Holding	86.445	--
	542.020.505	(429.474.292)

Dividend:
The Companies whose shares are listed are subject to the following dividend requirement introduced by the CMB:

In accordance with Article 19 of Capital Markets Law No. 6362 which came into effect on 30 December 2012 and CMB Communique on Dividend No. II-19.1 which came into effect as at 1 February 2014, publicly held corporations distribute dividends within the frameworks of the dividend distribution policies determined by their general assemblies and relevant legislation provisions. The assembly may determine different principles based on similar corporations for profit distribution policies of publicly held corporations.

If the legal reserves to be allocated in accordance with the TCC and the dividend determined for the shareholders in the articles of association or the dividend distribution policies are not allocated, a decision to allocate other legal reserves, transfer the profit to the next year, and distribute the dividend to people other than the owners of dividend shares, board members and employees of the corporation, and shareholders, cannot be made. Moreover, if the rate of the dividend determined for the shareholders is not paid in cash, no dividend shall be distributed to these people.

In publicly held corporations dividends shall be distributed equally to all of the shares existing as of the date of distribution regardless of their dates of issuance and acquisition.

In line with the effective regulations, upon the decision of the general assembly corporations distribute dividends according to the dividend distribution policy determined by their general assemblies and the provisions of relevant legislation. The said regulations do not specify a minimum dividend amount. Corporations make dividend payments according to the provisions of their articles of association or dividend distribution policies. In addition, corporations may pay dividends in instalments of equal or different amounts and may distribute dividend advances in cash for the profits shown in their interim period financial statements.

Conditions on dividend distribution have been introduced due to the loan agreement signed on 13 August 2014 and amended on 17 June 2015 (Note 5).

The Compnay has not distributed any dividend in 2016.

In accordance with the resolutions dated 24 March 2015 in the General Assembly of the Company, total TL 19.573.575 have been decided to be distributed. TL 10.416.490 of total dividend distribution was paid in cash, TL 9.157.085 dividend was netted off with due from related parties.

19. REVENUE

For the years ended 31 December, the details of revenue were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Export sales	614.851.094	592.762.487
Domestic sales	101.635.913	201.477.792
Other sales	28.840.657	30.600.537
Sales revenue (gross)	745.327.664	824.840.816
Less: Discounts and returns	(22.183.375)	(23.276.591)
Sales revenue (net)	723.144.289	801.564.225
Cost of sales	(601.660.991)	(642.647.627)
Gross profit	121.483.298	158.916.598

Cost of sales:

For the years ended 31 December, the details of cost of sales were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Raw material costs	(250.377.367)	(273.135.903)
Personnel expenses	(145.815.722)	(151.355.069)
General production costs	(100.376.440)	(89.830.547)
Energy expenses	(62.767.251)	(78.993.491)
Depreciation and amortization expenses	(26.627.877)	(23.015.036)
Other	(15.696.334)	(26.317.581)
	(601.660.991)	(642.647.627)

20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

Research and development expenses:

For the years ended 31 December, the details of research and development expenses were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Personnel	(4.339.544)	(3.508.357)
Research and development project costs	(290.393)	(259.383)
Other	(188.448)	(224.924)
	(4.818.385)	(3.992.664)

Marketing expenses:

For the years ended 31 December, the details of marketing expenses were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Insurance premiums related to freight and customs procedures	(32.894.769)	(22.669.298)
License fees	(12.088.273)	(12.829.387)
Packaging	(11.502.892)	(15.810.156)
Transportation	(3.759.700)	(2.861.190)
Warehousing	(3.223.931)	(3.727.779)
Personnel	(1.005.473)	(837.651)
Other	(5.092.073)	(3.023.271)
	(69.567.111)	(61.758.732)

General administrative expenses:

For the years ended 31 December, the details of general administrative expenses were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Personnel	(13.740.498)	(15.528.399)
Service charges by parent company	(11.760.045)	(18.540.952)
Legal counseling expenses	(2.818.375)	(2.104.594)
Subcontractor expenses	(2.223.689)	(1.527.219)
Depreciation and amortization	(829.108)	(993.091)
Repair, maintenance and cleaning	(699.724)	(816.963)
Subscriptions	(679.275)	(509.273)
Notification payments	(600.036)	(125.480)
Taxes and stamp duty	(512.280)	(495.146)
Notification payments	(157.116)	(223.041)
Public holiday pay provision	(82.123)	(68.440)
Vacation pay liability expenses	(49.234)	(92.856)
Other	(5.281.657)	(5.648.946)
	(39.433.160)	(46.674.400)

21. EXPENSES BY NATURE

For the years ended 31 December, details of expenses by nature were as follows:	1 January – 31 December 2016	1 January – 31 December 2015
Cost of goods sold	(26.627.877)	(23.015.036)
General administrative expenses	(829.108)	(993.091)
Depreciation and amortization	(27.456.985)	(24.008.127)
Cost of goods sold	(145.815.722)	(151.355.069)
General administrative expenses	(13.740.498)	(15.528.399)
Research and development expenses	(4.339.544)	(3.508.357)
Marketing expenses	(1.005.473)	(837.651)
Personnel expenses	(164.901.237)	(171.229.476)

22. OTHER OPERATING INCOME AND EXPENSES

Other operating income

For the years ended 31 December, details of other operating income were as follows:	1 January – 31 December 2016	1 January – 31 December 2015
Foreign exchange income on other operating income	29.196.697	15.760.043
Late payment incomes	3.144.996	--
Reversal of impairment on receivables (Note 6)	1.151.915	--
Insurance damage incomes	79.081	867.849
Service charges to parent company (*)	18.176	3.356.086
Other	3.686.434	3.383.955
	37.277.299	23.367.933

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

Other operating expenses

For the years ended 31 December, details of other operating expenses were as follows:	1 January – 31 December 2016	1 January – 31 December 2015
Rediscount interest expense	(18.125.539)	
Tax penalty expense (*)	(9.023.469)	--
Foreign exchange expense on other operating expense	(7.656.128)	(4.792.996)
Provision for doubtful receivables	(962.078)	--
Rework expenses (**)	(627.694)	(4.069.765)
Other	(1.990.170)	(1.267.265)
	(38.385.078)	(10.130.026)

(*) Related amount consists of Management Fee Inspection amounting to TL 6.912.871, Stamp Tax, Corporate Tax, Corporate Tax Withholding, Income Tax Withholding and Value Added Tax Inspection amounting to TL 1.672.550 and inventory clearance tax penalty amounting to TL 438.048. See Note 15.d for detailed information on the inspections.

(**) Rework expenses consist of recovery invoices issued as a result of rescue operations carried out by the customers of the Group.

23. INCOME FROM INVESTING ACTIVITIES

For the years ended 31 December, details of income from investing activities were as follows:	1 January – 31 December 2016	1 January – 31 December 2015
Interest income	18.745.052	20.709.577
Gain on sale of property, plant and equipment	2.293.439	10.418
	21.038.491	20.719.995

24. FINANCE INCOME

For the years ended 31 December, details of financial income were as follows:	1 January – 31 December 2016	1 January – 31 December 2015
Foreign exchange gain	53.880.840	11.599.252
Interest income	553.658	1.796.382
	54.434.498	13.395.634

25. FINANCE COSTS

For the years ended 31 December, details of financial costs were as follows:	**1 January – 31 December 2016**	1 January – 31 December 2015
Foreign exchange losses	(68.506.603)	(31.505.919)
Interest expenses	(31.686.197)	(25.019.147)
Factoring expenses	(17.640.695)	(19.134.064)
Employee termination interest expense	(2.300.324)	(2.629.271)
Finance leasing interest expenses	(1.220.679)	(1.082.150)
Forward foreign exchange purchase transaction	(366.890)	(1.227.886)
Other	(5.523.806)	(2.276.662)
	(127.245.194)	(82.875.099)

26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As at 31 December 2016 and 31 December 2015, prepaid tax and income tax payable were comprised of the following:	**31 December 2016**	31 December 2015
Corporate taxes payable	--	--
Prepaid taxes	(283.422)	(1.837.237)
Prepaid tax	(283.422)	(1.837.237)

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.

In Turkey corporate tax rate for the fiscal year 2016 is 20% (2015: 20%). Corporate tax rate for the subsidiary of the Group in United Kingdom is 20% (2015: 20%). 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 2015: 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 profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 were as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Current period corporate tax expense	(98.049)	(2.821.681)
Collections from previous period tax penalties(*)	--	920.000
Deferred tax income	12.714.827	14.992.618
Total tax income	12.616.778	13.090.937

Deferred tax income:
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 2015: 20%). The tax rate applied to the Group's subsidiary in United Kingdom is 20% (31 December 2015: 20%).

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2016 and 31 December 2015, were as follows:

	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	129.971.561	105.172.650	(25.994.312)	(21.034.530)
Revaluation fund for land	23.326.033	25.039.599	(4.665.207)	(5.007.920)
Revaluation fund for land improvements and buildings	116.936.567	79.916.773	(5.846.828)	(3.995.839)
Provision for employment termination benefits and notification payments	(33.577.656)	(31.576.834)	6.715.531	6.315.367
Net difference between the tax base and carrying value of inventories	993.660	8.826.083	(198.732)	(1.765.217)
Timing differences in recognition of revenue	(7.000.526)	(3.900.836)	1.400.105	780.167
Legal provisions	(9.073.822)	(6.140.785)	1.814.764	1.228.157
Provision for doubtful receivables	(367.318.052)	(113.065)	73.463.610	22.613
Investment incentives (*)	23.626.925	8.156.254	23.626.925	8.156.254
Other	(15.415.766)	(5.265.150)	3.083.154	1.053.031
Deferred tax assets/(liabilities) - net			73.399.010	(14.247.917)

(*) The amount stems from investments held for factory building, field and production facility located in the Manisa Industrial Zone. The Group has received an Incentive Certificate from the Ministry of Economics General Directorate of Incentive Implementation and Foreign Capital for their investment in total amount of TL 80,660,000 starting on May 2015, which will end in May 2018. According to this certificate, tax discount rate is set at 70% and investment contribution rate at 40%. Based on the Investment Promotion Legislation and Article 15 of the Council of Ministers Resolution, costs of land, royalty, spare parts and costs of other expenses which are not subject to amortization will not benefit from tax support. In this context, total capital expenditure that may be subject to tax deductions is TL 72.579.690 excluding the land and other expenditures. The amount that can be used in discounted corporate tax is calculated through the capital expenditure amounting to TL 69.457.768 in the current period by using the 40% of investment contribution rate amounting TL 27.783.107. Since TL 4.156.190 of this amount is deducted in the calculation of corporate tax of year 2015, the remaining amount of TL 23.626.925 is recorded as deferred tax asset.

26. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

Movements of deferred tax assets/(liabilities) were as follows:

	2016	2015
1 January	(14.247.917)	(28.335.266)
Current period deferred tax income	12.714.827	14.992.618
Charged to other comprehensive income	76.185.275	1.888.491
Foreign currency translation differences	(1.253.175)	(2.793.760)
31 December	73.399.010	(14.247.917)

The reconciliation of the taxation on income in the consolidated statement of profit or loss and other comprehensive income for the periods ended 31 December and the taxation on income/expenses calculated with the current tax rate over income from continuing operations before tax were as follows:

	%	2016	%	2015
Income/(loss) before tax rate		(44.833.081)		11.311.685
Tax expense/(income) calculated at legal tax rate	20,00	2.262.337	20	5.895.124
	20,00	(8.966.616)	20	2.262.337
Effect of share of equity-accounted investee	(0,11)	47.105	--	52.628
Effect of disallowable expenses	(9,29)	4.166.967	11	1.268.298
Effect of tax exemptions	0,05	(24.152)	(16)	(1.754.055)
Tax incentives	34,51	(15.470.671)	(110)	(12.445.641)
Tax losses	(18,02)	8.078.609	--	--
Foreign currency translation differences	1,00	(448.020)	(14)	(1.554.504)
Collections from prior period tax penalty	--	--	(8)	(920.000)
Tax provisions	28,14	(12.616.778)	(116)	(13.090.937)

(*) As at 31 December 2016, the Company can not utilise tax losses carried forward amounting to TL 40,393,046 (31 December 2015: None) until 2021. Deferred tax assets have not been recognised in respect of those tax losses carried forward as it is not probable that future taxable profit will be available against the benefits there from.

27. EARNINGS/(LOSS) PER SHARE

For the periods 1 January – 31 December 2016 and 1 January – 31 December 2015, weighted average number of shares and earnings/ (loss) per share were as follows:

	2016	2015
Average number of shares outstanding during the period (full value)	6.684.480.000	6.684.480.000
Net profit/(loss) by Parent Company	(32.216.303)	24.402.622
Earnings/(losses) per share with nominal value of 1 KR	(4,8196)	3,6506

28. RELATED PARTY DISCLOSURES

a) Due from related parties:

i. Short-term trade receivables:

As at 31 December 2016 and 31 December 2015, trade receivables from related parties were as follows:

	31 December 2016	31 December 2015
Componenta Främmestad AB (*)	--	123.807.114
Componenta Finland Oy Högfors	--	15.164.689
Componenta B.V.Weert Machine Shops	--	13.914.910
Componenta B.V.	--	7.927.799
Componenta Oyj	--	610.301
	--	161.424.813

(*) Interest accrual is calculated by the Group for trade receivables in the rate of 12% annually and interest accrual amounting to TL 10.033.310 was recognized in the consolidated financial statements as at 31 December 2015.

ii. Long-term trade receivables:

As at 31 December 2016 and 31 December 2015, details of long-term trade receivables from related parties were as follows:

	31 December 2016	31 December 2015
Componenta Främmestad AB (*)	94.063.728	--
Componenta Finland Oy Högfors	4.141.202	--
Componenta B.V.	1.663.630	--
Componenta Holding	86.445	--
	99.955.005	--

(*) As at 31 December 2016, it was decided to postpone provisionally a portion of the liability of Componenta Frammestad amounting to EUR 27,000,000 (Discounted amount: EUR 22,767,740 to TL 84,446,039) in accordance with the Swedish Laws.

As at 31 December 2016, the Group has recognised the uncollectible portion of the long-term trade receivables from related parties amounting to TL 83.579.102 of total TL 183.534.107 receivables as other equity interest under equity.

iii. Other Receivables:

Short-term other receivables:

As at 31 December 2016 and 31 December 2015 short-term other receivables from related parties were as follows:

	31 December 2016	31 December 2015
Financial receivables-Componenta Oyj (*)	--	104.494.693
Due from personnel	--	1.921.228
	--	106.415.921

Long-term other receivables:

As at 31 December 2016 and 31 December 2015 long-term other receivables from related parties were as follows:

	31 December 2016	31 December 2015
Financial receivables-Componenta Oyj (*)	12.591.208	206.544.000
	12.591.208	206.544.000

(*) As at 31 December 2016, the aforementioned amount consists of loans lent by the Company to Componenta Oyj amounting to EUR 75.000.000 and lent by Componenta UK Limited to Componenta Oyj amounting to GBP 14.714.700, these loans consist of interest accruals amounting to TL 19.786.132 and together with discounted amount of TL 3.093.552 (Euro 833.864), the total amount of TL 358.486.398 is recognised under shareholders' equity since the collection of respective receivables is not possible.

The aforementioned amount consists of loans lent to Componenta Oyj amounting to EUR 75.000.000 and allocated by Componenta UK Limited amounting to GBP 13.867.414; total loan amount is TL 297.959.587 and their interest accruals amounting to TL 9.327.980 as at 31 December 2015.

According to Serial IV No:41 "Capital Markets Law and subject to the Communiqué on the Principles to be Followed by Joint Stock Companies" transfer of assets between related parties which exceeds 10% of total assets should be in arm's length. In this scope, the Group has determined interest rate of loans lent to Componenta Oyj by adding 10% margin on interest rates of loans, for the period of borrowed loans, as a base. Annual effective interest rate of the loans lent to Componenta Oyj is 8% for Euro and 5,5% for GBP.

b) Due to related parties:
As at 31 December 2016 and 31 December 2015 trade payables due to related parties were as follows:

	31 December 2016	31 December 2015
Componenta Oyj	14.761.938	4.319.119
Componenta Pietarsaari	1.588.776	161.144
Componenta Främmestad AB	370.864	107.207
Componenta B.V.	240.769	24.063
Kumsan	234.161	160.413
Componenta Germany Gmbh	159.557	--
Componenta Finland Ltd Pori	134.718	--
Componenta Finland Oy Högfors	28.438	9.287
Other	--	83.264
	17.519.221	4.864.497

c) Short-term other payables to related parties:
As at 31 December 2016 and 31 December 2015 short-term other payables to related parties were as follows:

	31 December 2016	31 December 2015
Due to shareholders	--	23.653
	--	23.653

d) Sales to related parties:
For the year ended 31 December 2016 breakdown of sales to related parties were as follows:

	Trade Goods	Model	Management Service	Total
Componenta Främmestad AB	94.462.754	1.680.019	--	96.142.773
Componenta Finland Oy Högfors	4.699.736	--	--	4.699.736
Comp.B.V.Weert Machine Shops	9.060.997	--	--	9.060.997
Componenta Oyj	--	--	551.779	551.779
	108.223.487	1.680.019	551.779	110.455.285

For the year ended 31 December 2015 breakdown of sales to related parties were as follows:

	Trade Goods	Model	Management Service	Total
Componenta Främmestad AB	100.801.391	3.000.663	--	103.802.054
Componenta Finland Oy Högfors	6.730.875	--	--	6.730.875
Componenta B.V.	927.363	--	--	927.363
Comp.B.V.Weert Machine Shops	7.092.565	24.934	--	7.117.499
Componenta Oyj	--	--	1.006.297	1.006.297
	115.552.194	3.025.597	1.006.297	119.584.088

e) Goods and services received:
For the year ended 31 December 2016 breakdown of the purchases from related parties were as follows:

	Cost of License	Management Service	Other	Total
Componenta Oyj	8.667.933	8.103.555	--	16.771.488
Componenta B.V.	--	--	692.997	692.997
Kumsan A.Ş.	--	--	431.396	431.396
Componenta Pietarsaari	--	--	2.067.035	2.067.035
Componenta Finland Ltd Pori	--	--	154.991	154.991
Componenta Karkkila	--	--	77.610	77.610
Componenta Främmestad AB	--	--	413.420	413.420
	8.667.933	8.103.555	3.837.449	20.608.937

For the year ended 31 December 2015 breakdown of the purchases from related parties was as follows:

	Cost of License	Management Service	Other	Total
Componenta Oyj	8.568.880	15.486.747	--	24.055.627
Componenta B.V.	--	--	1.123.965	1.123.965
Kumsan A.Ş.	--	--	184.244	184.244
Componenta Pietarsaari	--	--	2.043.973	2.043.973
Componenta Finland Ltd Pori	--	--	204.137,000	204.137
Componenta Karkkila	--	--	113.755,000	113.755
Componenta Främmestad AB	--	--	403.098,000	403.098
	8.568.880	15.486.747	4.073.172	28.128.799

f) Income from investing activities:

	1 January- 31 December 2016	1 January- 31 December 2015
Componenta Oyj	18.606.390	19.814.551
Interest obtained from personnel	138.662	172.543
Dividend income	75.300	342.446
	18.820.352	20.329.540

g) Remunerations to key management personnel:
Key management personnel include general manager and directors and remunerations provided to key management personnel were as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Short-term benefits	2.005.989	4.125.973
Long-term benefits	253.855	326.872
Total	2.259.844	4.452.845

29. 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 maturities.

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial assets	--	104.615.442
Financial liabilities	(142.914.863)	(334.873.593)
	(142.914.863)	(230.258.151)

	31 December 2016	31 December 2015
Financial instruments with variable interest rate		
Financial assets	--	206.544.000
Financial liabilities	(488.276.560)	(199.109.205)
	(488.276.560)	7.434.795

Loans with variable interest rates which are classified as financial liabilities in the Group's statement of financial position are exposed to interest rate risk due to interest rate changes in market. At 31 December 2016, if Euro and TL denominated interest rates became 1% higher / lower with all other variables held constant, profit before tax would be lower / higher by TL 2.291.650 (31 December 2015: TL 4.557.246).

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 Group 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 2016 and 2015 is as follows:

	Receivables				
31 December 2016	Trade Receivables		Other Receivables		Bank
	Related Parties	Other Parties	Related Parties	Other Parties	Deposits
Maximum credit risk as at reporting date (*) (A+B+C+D+E)	**99.955.005**	**36.926.779**	**12.591.208**	**485.244**	**6.511.728**
– Guaranteed portion of the maximum risk	--	2.700.000	--	--	--
A. Net book value of the assets that are not due or that are not impaired	--	17.973.428	12.591.208	485.244	6.511.728
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	99.955.005	18.953.351	--	--	--
– Guaranteed portion	--	--	--	--	--
D. Net book value of the assets impaired	--	--	--	--	--
- Overdue (gross book value)	--	3.722.736			
- impaired (-)	--	(3.722.736)			
- Not due (gross book value)	--	--	--	--	--
- impaired (-)	--	--	--	--	--
E. Off balance sheet items with credit risk	--	--	--	--	--

(*) Increases in credit reliability are not taken into account in determining the amount, such as guarantees received.

29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)

b) Credit Risk (continued)

31 December 2015	Receivables				
	Trade Receivables		Other Receivables		Bank
	Related Parties	Other Parties	Related Parties	Other Parties	Deposits
Maximum credit risk as at reporting date (*)					
(A+B+C+D+E)	**161.424.813**	**33.144.174**	**312.959.921**	**395.020**	**16.801.795**
– Guaranteed portion of the maximum risk	--	3.055.000	--	--	--
A. Net book value of the assets that are not due or that are not impaired	33.961.075	29.996.042	312.959.921	395.020	16.801.795
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	127.463.738	3.148.132	--	--	--
– Guaranteed portion	--	--	--	--	--
D. Net book value of the assets impaired	--	--	--	--	--
– Overdue (gross book value)	--	3.369.336	--	--	--
– impaired (–)	--	(3.369.336)	--	--	--
– Not due (gross book value)	--	--	--	--	--
– impaired (–)	--	--	--	--	--
E. Off balance sheet items with credit risk	--	--	--	--	--

(*) Increases in credit reliability are not taken into account in determining the amount, such as guarantees received.

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.

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

31 December 2016

	Net Book Value	Agreed Total Cash Outflows	Less than 3 months	3-12 months	1-5 years	5-10 years
Non-derivative financial liabilities						
Short and long term borrowings	595.227.586	682.887.842	141.338.732	541.549.110	--	--
Finance lease liabilities	35.963.837	37.111.307	4.482.346	12.457.938	20.171.023	--
Trade payables	165.695.156	165.695.156	165.695.156	--	--	--
Other payables	9.650.025	9.650.025	9.130.179	--	519.846	--
Other liabilities	10.206.036	10.206.036	10.206.036	--	--	--
Total	**816.742.640**	**905.550.366**	**330.852.449**	**554.007.048**	**20.690.869**	**--**

31 December 2015

	Net Book Value	Agreed Total Cash Outflows	Less than 3 months	3-12 months	1-5 years	5-10 years
Non-derivative financial liabilities						
Short and long term borrowings	505.849.974	533.667.647	99.222.887	159.847.523	220.136.800	54.460.437
Finance lease liabilities	28.132.824	30.695.864	2.953.961	9.545.852	18.196.051	--
Trade payables	119.642.943	119.653.774	119.653.774	--	--	--
Other payables	1.158.838	1.158.838	1.158.838	--	--	--
Other liabilities	6.197.252	6.197.252	6.197.252	--	--	--
Total	**660.981.831**	**691.373.375**	**229.186.712**	**169.393.375**	**238.332.851**	**54.460.437**

d) Foreign Currency Risk

The Group, except the functional currency which is Euro, is exposed to foreign exchange risk due to translation into Euro of TL and other foreign currency denominated assets and liabilities, mainly being TL and other 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.

29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)

The table below summarizes the Group's foreign currency position as at 31 December 2016 and 2015. Carrying values of foreign currency denominated assets and liabilities held by the Group are as follows:

FOREIGN CURRENCY POSITION TABLE	31 December 2016					31 December 2015				
	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other
1. Trade Receivables	32.998.507	376.541	980.635	7.106.612	--	3.729.284	20.060	3.670.958	--	--
2a. Monetary Financial Assets (including Cash, Banks accounts)	2.391.135	--	2.066.441	324.693	--	10.881.627	881	10.877.281	415	--
2b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
3. Other	1.844.948	65.334	1.575.075	9.251	--	59.639.587	--	--	13.867.414	--
4. Current Assets (1+2+3)	**37.234.590**	**441.875**	**4.622.151**	**7.440.556**	**--**	**74.250.499**	**20.941**	**14.548.239**	**13.867.829**	**--**
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)	**37.234.590**	**441.875**	**4.622.151**	**7.440.556**	**--**	**74.250.499**	**20.941**	**14.548.239**	**13.867.829**	**--**
10. Trade Payables	104.041.823	1.269.789	98.961.890	135.955	62.500	82.048.585	1.263.450	77.738.386	114.877	48.685
11. Financial Liabilities	14.588.768	43.499	14.435.686	--	--	27.774.900	--	27.145.793	146.285	--
12a. Other Monetary Liabilities	(4.598.851)	--	--	(1.064.820)	--	(4.037.450)	--	--	(938.789)	--
12b. Other Non-monetary Liabilities	--	--	--	--	--	--	--	--	--	--
13. Short-term Liabilities (10+11+12)	**114.031.740**	**1.313.288**	**113.397.576**	**(928.865)**	**62.500**	**105.786.035**	**1.263.450**	**104.884.179**	**(677.627)**	**48.685**
14. Trade Payables	--	--	--	--	--		--		-	--
15. Financial Liabilities	--	--	--	--	--	--	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--	--	--	--	--	--	--
16b. Other Nonmonetary Liabilities	--	--	--	--	--	--	--	--	--	--
17. Long-term Liabilities ((14+15+16)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
18. Total Liabilities (13+17)	**114.031.740**	**1.313.288**	**113.397.576**	**(928.865)**	**62.500**	**105.786.035**	**1.263.450**	**104.884.179**	**(677.627)**	**48.685**
19. Net Asset / (Liability) Position of the Off- Balance Sheet Foreign Exchange Based Derivatives (19a-19b)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19a. The Amount of the Asset Type Off-Balance-Sheet Foreign Exchange Based Derivatives	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
19b. The Amount of the Liability Type Off-Balance-Sheet Foreign Exchange Based Derivatives	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
20. Net Foreign Exchange Asset / (Liability) (9-18+19)	**(76.797.150)**	**(871.413)**	**(108.775.425)**	**8.369.421**	**(62.500)**	**(31.535.536)**	**(1.242.509)**	**(90.335.940)**	**14.545.456**	**(48.685)**
21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Item (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)	**(76.797.150)**	**(871.413)**	**(108.775.425)**	**8.369.421**	**(62.500)**	**(31.535.536)**	**(1.242.509)**	**(90.335.940)**	**14.545.456**	**(48.685)**
22. Foreign Currency Hedging	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
23. Total Exports	**10.830.997**	**2.020.319**	**--**	**861.583**	**--**	**60.407.641**	**2.025.987**	**--**	**12.676.281**	**--**
24. Total Imports	**72.455.346**	**20.396.187**	**--**	**154.124**	**3.320**	**76.732.873**	**25.912.532**	**1.012.058**	**87.785**	**--**

29. CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS (continued)

31 December 2016	Profit / Loss		Shareholder's Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in USD against EUR			-	-
1. USD net asset/liability	(82.662)	82.662	(82.662)	82.662
2. Hedged from the USD risk (-)	--	--	--	--
3. USD Net Effect (1+2)	**(82.662)**	**82.662**	(82.662)	82.662
10% change in TL against EUR				
4. TL net asset/liability	(2.932.031)	2.932.031	(2.932.031)	2.932.031
5. Hedged from the TL risk (-)	--	--	--	--
6. TL Net Effect (4+5)	**(2.932.031)**	**2.932.031**	(2.932.031)	2.932.031
10% change in GBP against EUR				
7. GBP net asset/liability	974.331	(974.331)	974.331	(974.331)
8. Hedged from the GBP risk (-)	--	--	--	--
9. GBP Net Effect (7+8)	**974.331**	**(974.331)**	974.331	(974.331)
10 % change in other currency against EUR / in case of depreciation				
10- Other currency net asset/liability	(650)	650	(650)	650
11- Hedged from the other currency risk (-)	--	--	--	--
12- Other currency Net Effect (10+11)	**(650)**	**650**	(650)	650
TOTAL (3 + 6 +9+12)	**(2.041.012)**	**2.041.012**	(2.041.012)	2.041.012

(*) Does not include profit/loss effects.

31 December 2015	Profit / Loss		Shareholder's Equity (*)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in USD against EUR			-	-
1. USD net asset/liability	(113.693)	113.693	(113.693)	113.693
2. Hedged from the USD risk (-)	--	--	--	--
3. USD Net Effect (1+2)	**(113.693)**	**113.693**	(113.693)	113.693
10% change in TL against EUR				
4. TL net asset/liability	(2.842.898)	2.842.898	(2.842.898)	2.842.898
5. Hedged from the TL risk (-)	--	--	--	--
6. TL Net Effect (4+5)	**(2.842.898)**	**2.842.898**	(2.842.898)	2.842.898
10% change in GBP against EUR				
7. GBP net asset/liability	1.968.644	(1.968.644)	1.968.644	(1.968.644)
8. Hedged from the GBP risk (-)	--	--	--	--
9. GBP Net Effect (7+8)	**1.968.644**	**(1.968.644)**	1.968.644	(1.968.644)
10% change in other currency against EUR / in case of depreciation				
10. Other currency net asset/liability	(4.486)	4.486	(4.486)	4.486
11. Hedged from the other currency risk (-)	--	--	--	--
12. Other currency Net Effect (10+11)	**(4.486)**	**4.486**	(4.486)	4.486
TOTAL (3 + 6 +9+12)	**(992.433)**	**992.433**	(992.433)	992.433

(*) Does not include profit/loss effects.

29. 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 2016	31 December 2015
Financial liabilities	631.191.423	533.982.798
Less: Cash and cash equivalents (Note 4)	(6.520.316)	(16.803.959)
Net financial liability	624.671.107	517.178.839
Total equity	37.335.139	378.113.001
Financial liabilities/equity ratio	1673%	137%

g) Fair Value

Carrying amounts versus fair values

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

	31 December 2016		31 December 2015	
	Net carrying value	Fair value	Net carrying value	Fair value
Financial assets				
Cash and cash equivalents	6.520.316	6.520.316	16.803.959	16.803.959
Trade receivables	136.881.784	136.881.784	194.568.987	194.568.987
Other receivables	13.076.452	13.076.452	313.354.941	313.354.941
	156.478.552	156.478.552	524.727.887	524.727.887
Financial liabilities				
Borrowings	**631.191.423**	631.191.423	533.982.798	578.497.800
Trade payables	**165.695.156**	165.695.156	119.642.993	119.642.993
Other payables	**9.650.025**	9.650.025	1.158.838	1.158.838
	806.536.604	806.536.604	654.784.629	699.299.631

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, the Group uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. However, judgment is required to interpret in order to find the fair value, fair value measurements may not reflect the values arising in the current market conditions. The following methods and assumptions were used in determining the fair value of financial assets: The fair values of cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables and impairment for trade receivables are estimated to be their fair values. Carrying value of variable interest rate loans approximately are assumed as fair value.

30. EVENTS AFTER THE REPORTING PERIOD

The rights of Brand License Agreement signed between Componenta Oyj and the Company on 9 September 2014, Brand License Agreement signed between Componenta Oyj and Componenta UK, the subsidiary of the Company, on 1 January 2015 and, Production License Agreement signed between the Company and Componenta Främmestad AB, Componenta Oyj and Componenta Finland Oy were transferred to the Group according to the agreement signed on 24 April 2017.

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