



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

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

**Consolidated Financial Statements
As at and For the Year
Ended 31 December 2017
With Independent Auditors' Report Thereon**

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

12 March 2018

*This report includes 7 pages of Independent
Auditors' Report and 67 pages of financial
statements and notes to the financial statements.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS.....	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017	6-67
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS	6
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES	7-28
NOTE 3 SEGMENT REPORTING.....	29-30
NOTE 4 CASH AND CASH EQUIVALENTS	30
NOTE 5 SHORT AND LONG TERM BORROWINGS	31-34
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	35-36
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	36-37
NOTE 8 PAYABLES RELATED TO EMPLOYEE BENEFITS	38
NOTE 9 INVENTORIES	38
NOTE 10 PREPAID EXPENSES	39
NOTE 11 EQUITY-ACCOUNTED INVESTEEES	39
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	40
NOTE 13 INTANGIBLE ASSETS.....	41
NOTE 14 GOODWILL.....	42
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	42-44
NOTE 16 EMPLOYEE BENEFITS	45
NOTE 17 OTHER ASSETS AND LIABILITIES	46
NOTE 18 SHAREHOLDER'S EQUITY	46-48
NOTE 19 REVENUE AND COST OF SALES	49
NOTE 20 RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES	49-50
NOTE 21 EXPENSES BY TYPE.....	51
NOTE 22 OTHER OPERATING INCOME AND EXPENSES.....	51
NOTE 23 INCOME FROM INVESTING ACTIVITIES.....	52
NOTE 24 FINANCE INCOME	52
NOTE 25 FINANCE COSTS	52
NOTE 26 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)...	52-55
NOTE 27 EARNINGS/ (LOSS) PER SHARE	55
NOTE 28 RELATED PARTY DISCLOSURES.....	56-58
NOTE 29 CHARACTERISTICS AND LEVEL OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS	58-67
NOTE 30 EVENTS AFTER THE REPORTING PERIOD.....	67

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

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

		Audited	Audited
		31 December	31 December
	Notes	2017	2016 (Restated)
			(*)
ASSETS			
Current Assets		277.381.300	176.454.875
Cash and Cash Equivalents	4	17.464.098	6.520.316
Trade Receivables	6	123.713.249	36.926.779
- Trade receivables from third parties		123.713.249	36.926.779
Other Receivables	7	1.473.715	485.244
- Other receivables from third parties		1.473.715	485.244
Inventories	9	121.150.955	119.575.627
Prepaid Expenses	10	2.807.138	7.457.418
Current Income Tax Assets	26	919.103	283.422
Other Current Assets	17	9.853.042	5.206.069
Non-Current Assets		771.122.709	661.889.270
Trade Receivables	6	121.110.004	99.955.005
- Trade receivables from related parties	28	--	99.955.005
- Trade receivables from third parties		121.110.004	--
Other Receivables	7	10.551.157	12.591.208
- Financial receivables from related parties		--	12.591.208
- Financial receivables from third parties	28	10.551.157	--
Equity-Accounted Investees	11	5.637.272	4.060.133
Property, Plant and Equipment	12	607.050.269	509.810.648
Intangible Assets		8.582.887	7.498.083
- Goodwill	14	5.119.918	4.206.485
- Other intangible assets	13	3.462.969	3.291.598
Prepaid Expenses	10	9.234.874	5.768.464
Other Non-Current Assets	17	8.956.246	22.205.729
TOTAL ASSETS		1.048.504.009	838.344.145

(*) For further information please refer to Note 2.7.

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

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

		Audited 31 December 2017	Audited 31 December 2016 (Restated) (*)
	Notes		
LIABILITIES			
Current Liabilities		347.985.528	821.094.090
Short-Term Borrowings	5	190.584.119	121.331.389
Short-Term Portion of Long-Term Borrowings	5	10.821.364	490.643.613
Trade Payables	6	101.317.805	165.695.156
- Trade payables to related parties	28	238.329	17.519.221
- Trade payables to third parties		101.079.476	148.175.935
Other Payables	7	6.261.210	9.130.179
- Other payables to third parties		6.261.210	9.130.179
Payables Related to Employee Benefits	8	15.075.191	14.086.008
Short-term Provisions	15	18.817.393	10.001.709
- Short-term provisions for employee benefits		2.667.314	1.089.264
- Other short-term provisions		16.150.079	8.912.445
Other Current Liabilities	17	5.108.446	10.206.036
Non-Current Liabilities		652.878.724	53.862.127
Long-Term Borrowings	5	605.944.247	19.216.421
Other Payables	7	363.737	519.846
- Other payables to third parties		363.737	519.846
Long-Term Provisions		35.016.817	33.577.659
- Long-term provisions for employee benefits	16	35.016.817	33.577.659
Deferred Tax Liabilities	26	11.553.923	548.201
TOTAL LIABILITIES		1.000.864.252	874.956.217
EQUITY		47.639.757	(36.612.072)
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	40.636.228	47.009.977
- Gain on revaluation and re-measurement		63.668.601	65.254.386
- Remeasurements of defined benefit liability		(23.032.373)	(18.244.409)
Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss		172.403.448	156.719.906
- Foreign currency translation differences	18	172.403.448	156.719.906
Restricted Reserves	18	16.035.194	16.035.194
Other Equity Interests	18	(424.245.815)	(429.474.292)
Prior Years' Profits	18	62.481.740	93.112.258
Net Profit/(Loss) for the Year		68.127.774	(32.216.303)
TOTAL LIABILITIES AND EQUITY		1.048.504.009	838.344.145

(*) For further information please refer to Note 2.7.

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Notes	Audited 1 January-31 December 2017	Audited 1 January-31 December 2016
PROFIT OR LOSS:			
Revenue	19	1.066.330.776	723.144.289
Cost of Sales (-)	19	(807.473.506)	(601.660.991)
GROSS PROFIT		258.857.270	121.483.298
Marketing Expenses (-)	20	(66.319.217)	(69.567.111)
General Administrative Expenses (-)	20	(44.990.803)	(39.433.160)
Research and Development Expenses (-)	20	(3.378.968)	(4.818.385)
Other Operating Income	22	15.658.194	37.277.299
Other Operating Expenses (-)	22	(22.004.327)	(38.385.078)
OPERATING PROFIT		137.822.149	6.556.863
Income from Investing Activities	23	2.401.564	21.038.491
Share of Profit of Equity-Accounted Investees	11	781.531	382.261
OPERATING PROFIT BEFORE FINANCE COSTS		141.005.244	27.977.615
Finance Income	24	8.070.387	54.434.498
Finance Expenses (-)	25	(71.883.170)	(127.245.194)
OPERATING PROFIT/(LOSS) BEFORE TAX		77.192.461	(44.833.081)
Income Tax Expense			
- Current Tax Expense	26	671.484	(98.049)
- Deferred Tax Income	26	(9.736.171)	12.714.827
NET PROFIT/(LOSS) FOR THE YEAR		68.127.774	(32.216.303)
Ordinary and Diluted Earnings/(Loss) per Share (Nominal value of 1 Kuruş)	27	10,1919	(4,8196)
OTHER COMPREHENSIVE INCOME			
Profit or Loss not to be Reclassified		(4.787.964)	(8.952.256)
- Revaluation of property, plant and equipment		--	(2.746.183)
- Remeasurements of defined benefit liability	16	(5.984.955)	(8.444.138)
- Tax – Related to other comprehensive income not attributable to profit or losses	26	1.196.991	2.238.065
Profit or Loss to be Reclassified		15.301.321	55.917.778
- Foreign operations-foreign currency translation differences		15.301.321	55.917.778
TOTAL COMPREHENSIVE INCOME		10.513.357	46.965.522
TOTAL COMPREHENSIVE INCOME		78.641.131	14.749.219

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

					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 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
Restatement effect (*)		--	--	--	--	--	--	--	(73.947.211)	--	--	(73.947.211)
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	--	--
Dividend		--	--	--	--	--	--	--	(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	(429.474.292)	93.112.258	(32.216.303)	(36.612.072)
Balances at 1 January 2017		66.844.800	45.195.347	161.041	65.254.386	(18.244.409)	156.719.906	16.035.194	(429.474.292)	93.112.258	(32.216.303)	(36.612.072)
Transfers		--	--	--	--	--	--	--	--	(32.216.303)	32.216.303	--
Total comprehensive income		--	--	--	--	(4.787.964)	15.683.542	--	--	--	68.127.774	79.023.352
Depreciation transfer		--	--	--	(1.585.785)	--	--	--	--	1.585.785	--	--
Dividend		--	--	--	--	--	--	--	5.228.477	--	--	5.228.477
Balances at 31 December 2017	18	66.844.800	45.195.347	161.041	63.668.601	(23.032.373)	172.403.448	16.035.194	(424.245.815)	62.481.740	68.127.774	47.639.757

(*) For further information please refer to Note 2.7.

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		(55.682.305)	53.134.872
Net profit/(loss)		68.127.774	(32.216.303)
Adjustments to reconcile net profit to cash provided by operating activities:		103.680.073	17.840.733
Depreciation and amortisation expenses	12,13	36.522.181	27.456.985
(Reversal of)/Provision for impairment		3.112.972	1.429.590
<i>(Reversal of)/Provision for diminution in value of inventories</i>	9	760.666	467.512
<i>Provision for impairment on trade receivables</i>	22	2.352.306	962.078
Adjustments related to provisions		14.399.080	1.646.028
<i>Provision for employee termination benefits</i>	15,16	7.061.768	4.187.739
<i>Provision of litigation</i>	15	1.135.655	878.859
<i>Other provisions (cancellations)</i>	15	6.201.656	(3.420.570)
Adjustments related to interest (income)/expense		47.552.329	49.993.913
<i>Interest income</i>	24	--	(553.658)
<i>Interest expense</i>	25	47.552.329	50.547.571
Unrealized foreign currency translation differences		(74.282.785)	(15.177.002)
Share of profit of equity-accounted investees	11	(781.531)	(382.261)
Tax income	26	9.064.687	(12.616.778)
Gain on sale of property, plant, and equipment		(34.634)	(2.293.439)
<i>Gain on sale of property, plant, and equipment</i>	23	(34.634)	(2.293.439)
Cash flows from operating activities before changes in operating assets and liabilities:		103.680.073	17.840.733
Increase in trade receivables		(113.171.136)	55.573.210
<i>(Increase)/decrease in trade receivables from related parties</i>		99.955.005	61.469.808
<i>(Increase)/decrease in trade receivables from third parties</i>		(213.126.141)	(5.896.598)
Increase in other receivables from operating activities		1.051.580	1.831.004
<i>Increase in other receivables from related party operations</i>		12.591.208	1.921.228
<i>(Increase)/decrease in other receivables from third party operations</i>		(11.539.628)	(90.224)
Increase in inventories		(2.335.994)	(9.392.027)
(Increase)/decrease in prepaid expenses		1.183.870	3.612.346
Increase in trade payables		(64.377.351)	46.052.163
<i>Increase in trade payables to related parties</i>		(17.280.892)	12.654.724
<i>Increase in trade payables to third parties</i>		(47.096.459)	33.397.439
Increase in other payables from operating activities		(3.025.078)	7.971.341
<i>Decrease in other payables from operating activities with related parties</i>		--	(23.653)
<i>Increase in other payables from operating activities with third parties</i>		(3.025.078)	7.994.994
(Increase)/decrease on working capital		27.781.141	(65.428.206)
<i>Increase in other assets from operations</i>		11.618.167	(69.436.987)
<i>Decrease in other liabilities from operations</i>		16.162.974	4.008.781
(Increase)/decrease in payables related to employee benefits		989.183	4.339.696
Other cash flows/(change in restricted cash)	4	(4.102.994)	(1.106.438)
Cash from operating activities		(52.326.705)	61.293.822
Payments of employee termination benefits	16	(5.313.858)	(9.027.443)
Tax paid	26	(919.103)	(283.422)
Other cash inflows	6	2.877.361	1.151.915
Net cash from operating activities		(55.682.305)	53.134.872
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2.540.999	12.375.722
Acquisition of property, plant and equipment and intangible assets		(25.020.066)	(66.960.491)
<i>Acquisition of property, plant and equipment</i>	12	(22.097.831)	(66.709.887)
<i>Acquisition of intangible assets</i>	13	(2.922.235)	(250.604)
Dividend received	11	(90.360)	(75.300)
Collections from loans landed to related parties		--	(57.079.596)
Interest received		--	553.658
Net cash used in investing activities		(22.569.427)	(111.186.007)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		285.032.184	197.132.682
<i>Proceeds from bank loans</i>		285.032.184	197.132.682
Repayment of borrowings		(191.733.676)	(150.471.628)
<i>Repayment of bank loans</i>		(165.751.808)	(129.309.930)
<i>Repayment factoring payables</i>		(2.873.317)	(17.640.695)
<i>Other financial borrowing payments</i>		(23.108.551)	(3.521.003)
Dividend paid		--	--
Net cash provided from financing activities		93.298.508	46.661.054
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE (A+B+C)		15.046.776	(11.390.081)
D. FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		--	--
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	2.417.322	13.807.403
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		15.046.776	(11.390.081)
NET CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D +E)	4	17.464.098	2.417.322

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 nominal value of TL 62.543.859 corresponding to 93.57% of the Group's capital was transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. by Componenta Oyj upon approval of the transfer of the pledged shares by the Lenders on 23 September 2017. The transfer transaction was registered on 12 October 2017 and published in Trade Registry Gazette No. 9432. The power to control the operations of the Group has been transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. with the transfer transaction.

The average number of employees for the period 1 January-31 December 2017 was 2,419 (1 January - 31 December 2016: 2,492).

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 2017 (Note 11).

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 2017 have been approved by the Company's Board of Directors to be published on 12 Mart 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 2017 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)

2.1. Basis of Presentation (continued)

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:

<u>End of the term:</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Turkish Lira / British Pound	5,1142	4,3189
<u>Average:</u>	<u>1 January- 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Turkish Lira / British Pound	4,6867	3,8963

Translation to the presentation currency (TL)

- (a) As at 31 December 2017, 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 4,5155 TL / Euro (31 December 2016: 3,7099). 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 2017 have been translated into TL by using yearly average of CBRT's Euro bid rate, which corresponds to 4,1164 (For the year ended 31 December 2016, yearly average CBRT Euro exchange buying rate of 3,3375 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)

2.2. Going Concern

As at 31 December 2017, 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 2017, 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 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 Group has applied to the bankruptcy desk for the Dutch facilities and has initiated legal action for the collection of the receivables. On the date of 23 August 2017, Componenta Oyj, the parent company, announced on the Nasdaq Stock Exchange that the application of Componenta Finland Ltd. and Componenta Frammestad AB which are the subsidiaries of the Componenta Oyj for the debt structuring have been approved and the process of debt structuring is completed. The order of bankruptcy for the Componenta Wirsbo AB and Componenta Arvika AB have been approved at the date of 13 July 2017.

As at the issue date of the financial statements, restructuring processes have been concluded as a result of the reciprocal signatures between the Group and the trustees assigned.

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. The Negotiations with the trustees of related countries have been concluded in 2017. The irrecoverable receivables have been revised in the context of contracts and the difference amounting to 5.228.477 TL which is in favor of the Group has been reclassified to equity and other equity shares have been TL 424.245.815.

The nominal value of TL 62.543.859 corresponding to 93.57% of the Group's capital was transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. by Componenta Oyj upon approval of the transfer of the pledged shares by the Lenders on 23 September 2017. The transfer transaction was registered on 12 October 2017 and published in Trade Registry Gazette No. 9432. The power to control the operations of the Group has been transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. with the transfer transaction.

As at 31 December 2017, the Group has borrowings at a total amount of TL 807.349.730 of which TL 201.405.483 portion is short term and TL 605.944.247 portion is long term. The company has been completed the process of restructuring of current loans and utilizing new loans with the banks on 27 September 2017. The current loan package used by the Company under the guarantee of Componenta Oyj prior to 27 September 2017 has been renewed and the new loan package has been signed under the guarantee of Döktaş Metal Sanayi ve Ticaret A.Ş. with the same banks. In addition, Döktaş Metal Sanayi ve Ticaret A.Ş. and İş Yatırım Menkul Değerler A.Ş. has signed a share selling counselling contract. Within the scope of this contract, it is aimed to strengthen the structure of the Company through capital inflow by selling the Company shares.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)

2.2. Going Concern (continued)

As a result of these developments, as at 31 December 2017, the Group's short-term liabilities exceeded the total current assets by TL 70.204.228 and the total equity has been TL 47.639.757.

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.

In addition, the Group management has revised the business plan, and the realization of the business plan depends on various estimates and assumptions. Within the scope of the consultancy contract signed between that the Group's main shareholder, Döktaş Metal Sanayi ve Ticaret A.Ş. and İş Yatırım, the process of selling 93.57% shares of the Company to strategic potential buyers is ongoing. If the share sales process is positive, it may be possible for the Group to continue its activities with the possible capital of the Company.

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

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 2017, the Group has revised the indebtedness statement of financial position prepared as at 31 December 2016.

As at 31 December 2017, the details of the Group's consolidated registered paid-in capital and the status of shareholders equity were as follows:

	31 December 2017
Registered Paid-In Capital	66.844.800
Paid-In Capital + Legal Reserves	128.075.341
Shareholder's Equity	47.639.757

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 2017
As at 31 December 2017 Shareholders' Equity	47.639.757
Add: Funds to result in valuation reports	101.870.727
<i>License Agreements, net of tax effect</i>	49.626.590
<i>Valuation differences of tangible asset, net of tax effect</i>	31.211.767
<i>Valuation differences of subsidiary, net of tax effect</i>	2.857.105
<i>Currency translation differences</i>	18.175.264
Shareholders' Equity Resulting From Valuation Reports	149.510.484

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 Främmostad AB, Componenta Oyj and Componenta Finland Oy were transferred to the Group according to the agreement signed on 24 April 2017.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

2.3 The Status of Group's according to the Article 376 of the Turkish Commercial Code (*continued*)

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 75.503.675, 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 15.100.735 and currency translation difference amounting to TL 10.776.350.

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 46.845.526, occurred as a result of the fair value of tangible assets, has an effect of TL 31.211.267 increase on equity after netting of deferred tax effect of TL 8.856.164 and currency translation difference amounting to TL 6.777.595.

Valuation difference amounting to TL 3.863.913, occurred as a result of the fair value of the Kumsan, has an effect of TL 2.857.105 increase on equity after netting of deferred tax effect of TL 386.391 and currency translation difference amounting to TL 620.417.

The currency translation difference effect of the valuations on shareholders' equity is TL 18.175.264

Accordingly, when the fair value of the product production license and the brand license, the fair value increase of subsidiary and the fair value increase of property, plant and equipment are recognised to shareholders equity, total of the equity is amounting to TL 149.510.484.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)

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 2017 and 31 December 2016:

	31 December 2017	31 December 2016
	<u>Shares</u>	<u>Shares</u>
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 2017	31 December 2016
	<u>Shares</u>	<u>Shares</u>
Kumsan	25, 10%	25,10%

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.5. Changes in TAS

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014 replaces existing IFRS and US GAAP 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 companies expect to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is still assessing the impact for application of IFRS 15 on its financial statements.

IFRS 9 Financial Instruments

The last version of IFRS 9, issued in July 2014, replaces the existing guidance in IAS 39 “*Financial Instruments: Recognition and Measurement*”. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is still assessing the impact for application of IFRS 9 on its financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify 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 recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises 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. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 22.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.5. Changes in TAS *(continued)*

Standards issued but not yet effective and not early adopted (continued)

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 does not expect that application of these amendments to IFRS 2 will have significant impact on its consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle for applicable standards. The amendments listed below are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

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.

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 derecognised (eliminated from the statement of consolidated 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 amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of these amendments to IAS 40 will have impact on its consolidated financial statements.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.5. Changes in TAS *(continued)*

Standards issued but not yet effective and not early adopted (continued)

IFRS 16 Leases

On 13 January 2016, IASB issued 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 changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* 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. IFRS 16 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 assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.5. Changes in TAS *(continued)*

Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 28- Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have any impact on its consolidated financial statements.

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

2.7. Comparative Information and Restatement of Prior Period Financial Statements

For the year ended 31 December 2017, consolidated financial statements are prepared comparatively with prior period. The Group presented consolidated statement of financial position as at 31 December 2017, comparatively with the consolidated statements of financial position prepared as at 31 December 2016 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 2017 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 2016.

Restatement of Consolidated Statement of Financial Position as at 31 December 2016

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 as other equity interest under equity which is considered as recoverable in future periods. The Group management has considered that the deferred tax amount can not be recovered in the future and has restated the consolidated financial statements accordingly.

Consolidated statement of financial position prepared as at 31 December 2016 and consolidated statement of changes in equity for the year ended on 31 December 2016 have been restated as reflected the effect of the correction as follows:

31 December 2016	Reported	Correction	Restated
Consolidated statement of financial position			
Deferred tax asset	73.399.010	(73.399.010)	--
Non-current assets	735.288.280	(73.399.010)	661.889.270
Total assets	911.743.155	(73.399.010)	838.344.145
Deferred tax liability	--	548.201	548.201
Total liabilities	874.956.217	(548.201)	874.408.016
Other equity interest	(355.527.081)	(73.947.211)	(429.474.292)
Equity	37.335.139	(73.947.211)	(36.612.072)

Equity in the indebtedness balance sheet prepared as at 31 December 2016 has been amounting to TL 50.322.386 after the restatement.

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.9. Summary of Significant Accounting Policies

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.

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 2016.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

2.9. Summary of significant accounting policies (*continued*)

Property, plant and equipment (*continued*)

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.

	<u>Useful lives (year)</u>
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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

2.9. Summary of significant accounting policies (*continued*)

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (continued)

2.9. Summary of significant accounting policies (continued)

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.9. Summary of significant accounting policies *(continued)*

Revenue recognition

Sales of goods

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.9. Summary of significant accounting policies *(continued)*

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.9. Summary of significant accounting policies *(continued)*

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

2.9. Summary of significant accounting policies *(continued)*

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES *(continued)*

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 2017 as 4,70%, 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (*continued*)

2.10. Significant accounting estimates and assumptions (*continued*)

e) Value added tax carried forward

As at 31 December 2017, the Company has a total value added tax (“VAT”) receivable of TL 18.791.962 (31 December 2016: TL 27.388.819) 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 2017. 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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 2017	31 December 2016
Gray cast iron	718.752.479	573.144.627
High pressure	229.816.398	182.492.907
Wheel	82.827.598	65.771.848
Unallocated assets (*)	17.107.532	16.934.763
Total assets per consolidated financial statements	1.048.504.008	838.344.145

(*) As at 31 December 2017, unallocated assets consist of loans and interests of loans landed to Componenta Oyj amounting to TL 10.551.157 (31 December 2016: TL 12.591.208), financial investments in Kumsan amounting to TL 5.637.272 (31 December 2016: TL 4.060.133) and current tax receivable amounting to TL 919.103 TL (31 December 2016: TL 283.422).

Segment liabilities:	31 December 2017	31 December 2016
Gray cast iron	144.192.051	203.853.980
High pressure	48.202.069	57.592.674
Wheel	14.842.247	17.733.776
Unallocated liabilities (*)	793.627.885	595.775.787
Total liabilities per consolidated financial statements	1.000.864.252	874.956.217

(*) As at 31 December 2017, unallocated liabilities consist of bank borrowings and deferred tax liabilities.

Segmental analysis for the year ended 31 December 2017:

	Gray cast iron	High pressure	Wheel	Total
External revenues	733.714.696	177.550.328	155.065.753	1.066.330.776
Operating expenses	(636.302.472)	(160.335.897)	(125.524.125)	(922.162.494)
Operating profit	97.412.223	17.214.431	29.541.628	144.168.282
Other operating income, net				(6.346.133)
Finance costs				(71.883.170)
Finance income				8.070.387
Share of profit of equity-accounted investees				781.531
Income from investing activities				2.401.564
Loss before tax				77.192.461
Tax income				(9.064.687)
Net loss for the year				68.127.774

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

3. SEGMENT REPORTING (continued)

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
Profit before tax				(44.833.081)
Income tax expense				12.616.778
Net profit for the year				(32.216.303)

31 December 2017				
	Gray cast iron	High pressure	Wheel	Total
Depreciation and amortization	20.458.860	13.285.671	2.777.650	36.522.181
Capital expenditures	3.535.782	20.945.103	539.181	25.020.066

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

4. CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 31 December 2016, the details of cash and cash equivalents were as follows:

	31 December 2017	31 December 2016
Cash	18.655	8.588
Banks	17.445.443	6.511.728
Demand deposits – EUR	14.677.947	4.120.593
Demand deposits - Foreign currency	2.767.496	2.391.135
	17.464.098	6.520.316
Restricted cash	--	(4.102.994)
Amounts based on cash flow statements	17.464.098	2.417.322

As at 31 December 2017 and 31 December 2016, the Group does not have time deposits in their bank accounts.

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

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

5. SHORT AND LONG TERM BORROWINGS

As at 31 December 2017 and 31 December 2016, the details of financial liabilities measured at amortized cost were as follows:

	31 December 2017	31 December 2016
Short-term bank loans and factoring payables	177.068.993	104.583.973
Short-term financial lease liabilities	13.515.126	16.747.416
	190.584.119	121.331.389
Short-term portions of long-term bank loans	10.821.364	490.643.613
Total short-term borrowings	201.405.483	611.975.002
Long-term bank loans	594.183.605	--
Long-term financial lease liabilities	11.760.642	19.216.421
Total long-term borrowings	605.944.247	19.216.421
Total financial liabilities	807.349.730	631.191.423

Short-term bank loans and factoring payables

	31 December 2017		
	Annual average interest rate %	Amount in original	TL
Short-term Euro borrowings (*)	5,37	39.211.106	177.057.748
Short-term TL borrowings	23,46	11.245	11.245
Total short-term bank loans and factoring payables			177.068.993

	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 (**)	19,10	1.955.237	1.955.237
Short-term TL factoring payables	8,50	12.480.448	12.480.448
Total short-term bank loans and factoring payables			104.583.973

(*) Short-term Euro borrowings consist of working capital loan and bank borrowings obtained from Exim Bank.

(**) Short-term factoring borrowings consist of revocable factoring payables. As at 31 December 2016 the factoring payables are secured by invoice assignments amounting to TL 1.955.237.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

5. SHORT AND LONG TERM BORROWINGS (continued)

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

31 December 2017			
	Annual average interest rate %	Amount in original	TL
Short-term portion of long-term Euro bank loans	5,25	1.123.101	5.071.364
Short-term portion of long-term TL bank loans	23,46	5.750.000	5.750.000
Long-term bank loans			10.821.364
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 guarantees are explained in Note 15.b.

The Group has financial and non-financial commitments 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. As of the reporting date, the creditor banks have not created an event of default and continued to the necessary supporting to the Group. In accordance with the loan agreement dated September 27, 2017, the debt relief process with the lender Banks has been completed. The loans shown in the short-term in the previous reporting period have been reclassified to the long-term bank loans.

Redemption schedules of short-term and long-term borrowings at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2016	31 December 2015
Up to 1 year	187.890.357	595.227.586
1 to 2 years	240.192.662	--
3 to 4 years	63.405.129	--
Over 4 years	290.585.814	--
	782.073.962	595.227.586

Details of the Group's variable and fixed interest rate loans as at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Variable interest rate loans	650.859.573	488.276.560
Fixed interest rate loans	131.214.389	106.951.026
	782.073.962	595.227.586

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

5. SHORT AND LONG TERM BORROWINGS *(continued)*

Group refinanced its previous debts to Lenders within the context of 27 September 2017 dated loan agreement under Döktaş Metal Sanayi ve Ticaret A.Ş. guarantee and used additional credit.

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. . The parties agree that no lower limit for the Net Financial Debt / EBITDA ratio for the year 2017 will be determined. However, the lower limits for the Net Financial Debt / EBITDA ratio will be determined for the year 2018 and the following periods by the lenders considering the 12 month EBITDA between 1 July 2017 and 30 June 2018. The lower limits determined shall be notified written to the Group and it will be legally binding.

In case of Group failed to fulfil one of the obligations above, an event of default will be occurred.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

5. SHORT AND LONG TERM BORROWINGS *(continued)*

Redemption schedule of finance lease liabilities were as follows:

	31 December 2017			31 December 2016		
	Minimum financial leasing payment	Interest	Total liabilities	Minimum financial leasing payment	Interest	Total liabilities
Short-term portion						
2018	--	--	--	18.365.942	(1.618.526)	16.747.416
2017	14.668.093	(1.152.967)	13.515.126	--	--	--
Short-term portion	14.668.093	(1.152.967)	13.515.126	18.365.942	(1.618.526)	16.747.416
Long-term portion						
2018	--	--	--	11.178.414	(687.230)	10.491.184
2019	9.931.761	(412.653)	9.519.107	8.045.774	(248.561)	7.797.213
2020	2.282.617	(41.082)	2.241.535	942.807	(14.783)	928.024
Long-term portion	12.214.378	(453.736)	11.760.642	20.166.995	(950.574)	19.216.421
	26.882.471	(1.606.703)	25.275.768	38.532.937	(2.569.100)	35.963.837

The interest rate of financial leasing is between 4.30% and 6.00%.

Currency and interest rate risk and sensitivity analysis for the group’s financial assets and liabilities are described in Note 29.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables:

As at 31 December 2017 and 31 December 2016, the details of the Group's trade receivables were as follows:

	31 December 2017	31 December 2016
Receivables from third parties	127.668.412	40.649.515
- Customer accounts	127.583.258	37.291.766
- Income accruals (**)	85.154	3.357.749
Less: Provision for doubtful receivables	(3.955.163)	(3.722.736)
Short-term trade receivables	123.713.249	36.926.779
Receivables from non-related parties (*)	121.110.004	--
Receivables from related parties (Note 28.a.ii.)	--	99.955.005
Long-term trade receivables	121.110.004	99.955.005
Total	244.823.253	136.881.784

(*) As explained in Note 1, the receivables from related parties are classified as receivables from non-related parties after the transfer of the shares of the Company. As at 31 December 2017, conditionally postpone of the EUR 27.000.000 portion (discounted amounting to EUR 23.323.095 equivalent of TL 104.863.885) of the debt of Componenta Frammestad to the Group has been decided in accordance with Swedish laws.

(**) As at 31 December 2017 and 31 December 2016, all of the income accruals consist of not invoiced receivables.

Aging analysis for trade receivables

As at 31 December 2017 and 31 December 2016, maturities of trade receivables, for which no bad debt provision has been accounted, were as follows:

	31 December 2017	31 December 2016
Overdue receivables	29.542.227	118.908.356
0-30 days maturity	27.932.564	5.507.718
31-90 days maturity	44.065.879	8.688.871
91 days and over	143.282.583	3.776.839
	244.823.253	136.881.784

As at 31 December 2017 and 31 December 2016, overdue days of receivables are as follows:

Days overdue	31 December 2017	31 December 2016
0 – 1 month	8.352.983	6.619.149
1 – 3 months	19.757.997	11.501.077
3 months and over	1.431.247	100.788.130
	29.542.227	118.908.356

Total overdue receivables comprises due from non-related parties (31 December 2016: TL 99.955.005).

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

6. TRADE RECEIVABLES AND PAYABLES (continued)

Trade receivables (continued)

Guarantee letters taken from the customers related with trade receivables are amounting to TL 190.000 (31 December 2016: TL 2.300.000), and the long-term notes payable are amounting to TL 400.000 (31 December 2016: TL 400.000).

For the years ended 31 December 2017 and 31 December 2016, the movement of provision for doubtful receivables were as follows:

	2017	2016
1 January	3.722.736	3.369.336
Provision cancelled	2.352.306	962.078
Collections	(2.877.361)	(1.151.915)
Foreign exchange difference	757.482	543.237
31 December	3.955.163	3.722.736

Trade receivables have approximately 1-2 months of maturity terms on average (31 December 2016: 1-2 month). The Group's currency and interest rate risks are explained in Note 29.

Trade payables

As at 31 December 2017 and 31 December 2016, the details of the Group's trade payables were as follows:

	31 December 2017	31 December 2016
Payables to related parties (Note 28.b)	238.329	17.519.221
Payables to third parties	101.079.476	148.175.935
- Trade payables	63.957.586	85.506.238
- Notes payable	37.121.890	62.669.697
	101.317.805	165.695.156

Trade Payables have approximately 1-4 months of maturity terms on average (31 December 2016: 1-4 month). The Group's currency and interest rate risks are explained in Note 29.

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Short-term other receivables:

As at 31 December 2017 and 31 December 2016, the details of short-term other receivables were as follows:

	31 December 2017	31 December 2016
Deposits and guarantees given	1.473.715	485.244
	1.473.715	485.244

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

7. OTHER RECEIVABLES AND PAYABLES (continued)

Long-term other receivables:

As at 31 December 2017 and 31 December 2016, the details of long-term other receivables were as follows:

	31 December 2016	31 December 2015
Financial receivables from non-related parties (*)	10.551.157	--
Financial receivables from related parties	--	12.591.208
	10.551.157	12.591.208

(*) As at 31 December 2017, financial receivables from non-related parties consist of the financial receivables from Componenta Oyj.

Other payables

As at 31 December 2017 and 31 December 2016, the details of other payables were as follows:

	31 December 2017	31 December 2016
Installments tax liabilities of prior periods	865.562	5.607.317
Other refundable VAT	5.395.648	3.522.862
Short-term other payables	6.261.210	9.130.179

	31 December 2017	31 December 2016
Installments tax liabilities of prior periods	363.737	519.846
Long-term other payables	363.737	519.846

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 11,483,259.61 TL for Withholding and VAT Tax Principle and the total amount of 17,224,889.42 TL for such tax penalty is sent to the Bursa Ertuğrulgazi Tax Office and the Bursa Orhangazi Tax Office for penalty notice 28-30 September 2016 The Group has been notified. In accordance with the "Communiqué on Law No. 6736 Regarding Restructuring of Some Receivables and the General Law on the mentioned Banks", 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 6 installments shall be paid in total within 2 months period. As at 31 December 2017, amounting to TL 5.794.862 of the debts was paid.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

8. PAYABLES RELATED TO EMPLOYEE BENEFITS

As at 31 December 2017 and 31 December 2016, the payables related to employee benefits were as follows:

	31 December 2017	31 December 2016
Payables to social security institution	6.074.589	5.515.694
Payables to the personnel	5.667.987	4.830.342
Personnel income tax and stamp tax payables	3.332.615	3.739.972
	15.075.191	14.086.008

9. INVENTORIES

As at 31 December 2017 and 31 December 2016, the details of the inventories were as follows:

	31 December 2017	31 December 2016
Raw materials	51.317.343	37.639.365
Work-in-progress	15.288.607	7.482.063
Finished goods	47.912.824	63.361.508
Other (*)	8.267.849	11.811.583
	122.786.623	120.294.519
Less: Provision for net realisable value of inventories (**)	(1.635.668)	(718.892)
	121.150.955	119.575.627

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

(**) Consists of net realizable value difference.

For the years ended 31 December 2017 and 31 December 2016, movement of impairment provision is as follows:

	2017	2016
Balance at 1 January	718.892	495.766
Provision for diminution in value of inventories during the period	760.666	467.512
Foreign currency translation differences	156.110	(244.385)
Balance at 31 January	1.635.668	718.892

For the period from 1 January to 31 December 2017, a portion amounting to TL 388.715.307 of the cost of goods sold is related to raw material and supplies usage (1 January - 31 December 2016: TL 250.377.367). Impairment provisions and cancellations on inventory are included in cost of sales.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

10. PREPAID EXPENSES

Current prepaid expenses

As at 31 December 2017 and 31 December 2016, the details of the current prepaid expenses were as follows:

	31 December 2017	31 December 2016
Deferred finance costs (*)	1.900.105	1.631.310
Advances given to suppliers	510.342	2.058.126
Prepaid expenses for the following months	396.691	3.767.982
	2.807.138	7.457.418

As at 31 December 2017 and 31 December 2016, the details of the non-current prepaid expenses were as follows:

	31 December 2017	31 December 2016
Deferred finance costs (*)	6.175.343	5.301.759
Advances given to suppliers	3.059.531	466.705
	9.234.874	5.768.464

(*) As at 31 December 2017 and 31 December 2016, deferred finance costs consist of commission paid, lawyer expenses of loan amounting to Euro 120.000.000.

11. EQUITY-ACCOUNTED INVESTEEES

Investment in associates:

As at 31 December 2017 and 31 December 2016, the details equity-accounted investees were as follows:

	31 December 2017		31 December 2016	
	Associate Share %	Associate Amount	Associate Share %	Associate Amount
Kumsan	25,10	5.637.272	25,10	4.060.133

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

	2017	2016
1 January - Investment in associates	4.060.133	3.916.227
Share of profit of equity-accounted investees	781.531	382.261
Dividends received	(90.360)	(75.300)
Foreign currency translation differences	885.968	(163.055)
31 December - Investment in associates	5.637.272	4.060.133

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

	31 December 2017		31 December 2016	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	25.412.055	2.952.803	18.667.810	2.491.981

	31 December 2017		31 December 2016	
	Revenue	Net income	Revenue	Net income
Kumsan	30.979.569	2.772.401	15.357.561	1.218.227

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

12. PROPERTY PLANT AND EQUIPMENT

For the years ended 31 December 2017 and 2016, 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
<u>Opening net carrying value, 1 January 2016</u>	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	66.709.886
Disposals	(3.216.952)	(8.424.976)	(19.912.262)	(274.253)	--	(17.970)	(31.846.412)
Transfers	--	41.859.656	29.913.807	2.578.961	--	(74.352.423)	--
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
<u>Closing net carrying value, 31 December 2016</u>	101.308.404	92.585.490	275.183.575	14.839.746	62.818	25.830.615	509.810.648
<u>Opening net carrying value, 1 January 2017</u>	101.308.404	92.585.490	275.183.575	14.839.746	62.818	25.830.615	509.810.648
Additions	--	19.618	8.022.006	1.374.715	--	12.681.492	22.097.831
Disposals	--	(60.236)	(17.161.523)	(1.106.429)	(17.052)	--	(18.345.240)
Transfers	--	--	20.068.934	144.556	--	(20.213.490)	--
Foreign currency translation differences	21.998.989	20.104.820	59.755.735	3.222.430	13.645	5.609.085	110.704.704
Depreciation charge	--	(6.069.837)	(22.767.925)	(4.190.024)	(28.763)	--	(33.056.549)
Disposals from accumulated depreciation	--	37.721	14.686.593	1.106.429	8.132	--	15.838.875
<u>Closing net carrying value, 31 December 2017</u>	123.307.393	106.617.576	337.787.395	15.391.423	38.780	23.907.702	607.050.269
<u>Net book value</u>							
31 December 2016	101.308.404	92.585.490	275.183.575	14.839.746	62.818	25.830.615	509.810.648
31 December 2017	123.307.393	106.617.576	337.787.395	15.391.423	38.780	23.907.702	607.050.269

TL 35.246.122 (31 December 2016: TL 26.627.877) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TL 1.276.059 (31 December 2016: TL 829.108) to operating expenses.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

13. INTANGIBLE ASSETS

For the years ended 31 December 2017 and 2016, movements of intangible assets were as follows:

	Rights	Total
<u>Cost</u>		
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
1 January 2017 opening balance	15.771.282	15.771.282
Additions	2.922.235	2.922.235
Translation differences	385.738	385.738
31 December 2017 closing balance	19.079.255	19.079.255
<u>Accumulated Amortization</u>		
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
1 January 2017 opening balance	12.479.684	12.479.684
Additions	3.465.632	3.465.632
Translation differences	(329.030)	(329.030)
31 December 2017 closing balance	15.616.286	15.616.286
<u>Net carrying value</u>		
31 December 2016	3.291.598	3.291.598
31 December 2017	3.462.969	3.462.969

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

14. GOODWILL

Goodwill is amounting to TL 5.119.918 as at 31 December 2017 (31 December 2016: TL 4.206.485). Goodwill has arisen due to the acquisition of Componenta UK Ltd. shares in 2006.

	2016	2015
1 January	4.206.485	3.602.935
Translation Differences	913.433	603.550
31 December	5.119.918	4.206.485

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 2017 and 31 December 2016, the details of other current provisions were as follows:

	31 December 2017	31 December 2016
Provisions for litigation (*)	6.156.625	4.859.510
Unused vacation pay liability (**)	2.667.314	1.089.264
Provisions for energy and water expenses (***)	394.408	2.087.279
Other short-term provisions (****)	9.599.046	1.965.656
	18.817.393	10.001.709

(*) 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 2017 and 31 December 2016 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 2017, provision consists of not invoiced electricity, natural gas and water expense accruals for the year 2017.

(****) As at 31 December 2017, TL 5.734.685 of the other short-term provisions consist of the reversed reserves against the possible quality and guarantee risks of the parts sold and TL 3.047.963 of the contingent reserves consist of non-invoiced equivalents. As at 31 December 2016, other short-term provisions amounting to TL 1.432.021 consists of provisions that are set aside against the probable quality and guarantee risks of the parts sold.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

a) Short-term provisions(continued):

As at 31 December 2017 and 31 December 2016, movement of provisions of the Group is as follows:

	1 January 2017	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2017
Provisions for litigation	4.859.510	1.135.655	161.460	--	6.156.625
Unused vacation pay liability	1.089.264	1.341.519	236.531	--	2.667.314
Provisions for energy and water expenses	2.087.279	--	169.933	(1.862.804)	394.408
Other short-term provisions	1.965.656	7.280.698	1.431.731	(1.079.042)	9.599.046
Total	10.001.709	9.757.872	1.999.655	(2.941.846)	18.817.393

	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

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

The Group's guarantee letters/ pledges/ mortgages (GPMs) position as at 31 December 2017 and 31 December 2016 were as follows:

	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
31 December 2017				
A. GPMs given on behalf of the Company's legal personality	2.843.075.452	1.330.382.952	--	335.000.000
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	2.843.075.452	1.330.382.952	--	335.000.000
Other GPMs	--	--	--	--

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

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

Ratio of other GPMs given by the Group to the Group's equity is 6564% as at 31 December 2016 (31 December 2016: 4636%).

As at 31 December 2017, lender banks Vakıfbank, Halk Bankası, İş Bankası and Ziraat Bankası have first degree and first ranking mortgage in the amount of EUR 270.000.000 and second degree and first ranking mortgage in the amount of TL 400.000.000, pursuant to the participation ratio on all of the property, plant and equipment of the Group under the contract dated 13 August 2014. With amending agreement dated 17 June 2015, amount of existing mortgages have been increased on first degree and first ranking to EUR 285.000.000 and second degree and first ranking to TL 500.000.000. With amending agreement dated 4 October 2016, amount of existing mortgages have been increased on first degree and first ranking to EUR 285.000.000, second degree and first ranking to TL 500.000.000 and third degree and first ranking to EUR 50.000.000 and TL 100.000.000.

Other than that, same banks have first degree and first ranking mortgage 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 amending 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 10.382.952 were composed of guarantees given to the Undersecretariat Customs, customs offices, chamber of commerce, tax authorities, electricity and natural gas suppliers, raw material suppliers and law courts related with ongoing legal cases.

	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
31 December 2016				
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	--	--	--	--

c) Letter of Guarantees Received:

	31 December 2017	31 December 2016
Guarantee letters received	6.553.624	5.874.801
Guarantee cheques and notes received	4.593.890	5.459.890
Total guarantees received	11.147.514	11.334.691

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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

16. EMPLOYEE BENEFITS

Long term provisions related to Employee benefits

	31 December 2017	31 December 2016
Provision for employment termination benefits	35.016.817	33.577.659
	35.016.817	33.577.659

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 4.732 for each year of service as at 31 December 2017 (31 December 2016: TL 4.297).

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 2017	31 December 2016
Annual discount rate (%)	4,70	4,84
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 4.732, which is effective from 1 January 2017 (1 January 2016: TL 4.297), has been considered in the calculation

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

	2017	2016
1 January	33.577.659	31.576.834
Interest cost	3.470.692	2.300.324
Current year service cost	2.249.557	1.838.180
Actuarial loss	5.984.955	8.444.138
Foreign currency translation differences	(4.952.188)	(1.554.374)
Payments during the period	(5.313.858)	(9.027.443)
31 December	35.016.817	33.577.659

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

17. OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December 2017 and 31 December 2016, details of other current assets were as follows:

	31 December 2017	31 December 2016
Export registered VAT receivables	9.835.716	5.183.090
Other	17.326	22.979
	9.853.042	5.206.069

Other non-current assets

	31 December 2017	31 December 2016
Long Term export registered VAT Receivables (*)	8.956.246	22.205.729
	8.956.246	22.205.729

(*) 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 2017 and 31 December 2016.

Other short-term liabilities

As at 31 December 2017 and 31 December 2016, details of other short-term liabilities were as follows:

	31 December 2017	31 December 2016
Deferred revenue	1.123.849	6.405.116
Advances received	2.416.696	2.068.362
Expense accruals	--	290.214
Other short-term liabilities (*)	1.567.901	1.442.344
	5.108.446	10.206.036

(*) As at 31 December 2017, TL 1.201.690 portion of other short-term liabilities consist of liabilities to union (31 December 2016: TL 1.134.880).

18. SHAREHOLDER'S 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 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
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 2017 and 31 December 2016 were as follows:

	31 December 2017	Shareholding Percentage (%)	31 December 2016	Shareholding Percentage (%)
Döktaş	62.543.860	93,57	--	--
Componenta Oyj	--	--	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

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

18. SHAREHOLDER'S EQUITY (continued)

Paid-in Capital (continued)

The Company has 6.684.480.000 shares (31 December 2016: 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, the shares of the Company were registered on 12 October 2017 and transferred to Döktaş 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 2017 and 31 December 2016, 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 comprise 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 2017 and 31 December 2016, the Group's prior year's profits are amounting to TL TL 62.481.740 and TL 93.112.258, respectively.

Legal reserves

Legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. As at 31 December 2017, legal reserves of the Group is amounting to TL 16.035.194 (31 December 2016: TL 16.035.194).

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. In 2017, negotiations with the trustees in the related countries were completed. According to the agreements signed, bad debts have been revised and the difference amounting to TL 5.228.477 which is formed in favor of the Group is classified as equity. As at 31 December 2017, other equity interest is amounting to TL 424.245.815 (31 December 2016: TL 355.527.081).

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

18. SHAREHOLDER'S EQUITY (continued)

Other Equity Interest (continued)

As at 31 December 2017 and 31 December 2016, details of trade and financial receivables from related parties and uncollectible portion were as follows:

		Uncollectible receivables	
	Gross value of receivables	31 December 2017	31 December 2016
Financial Receivables -			
Componenta Oyj	358.486.398	(347.347.749)	(345.895.190)
Ticari alacak- Componenta Frammestad	125.406.384	(23.839.157)	(31.342.656)
Ticari alacak- Componenta B.V.	35.868.471	(36.005.093)	(34.204.842)
Ticari alacak- Componenta Finland Oy Högfors	22.259.252	(17.053.815)	(18.031.604)
	542.020.505	(424.245.815)	(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 Communiqué 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 financial statements.

The Company has not distributed dividends during the current year.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

19. REVENUE

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

	1 January – 31 December 2017	1 January – 31 December 2016
Export sales	834.227.550	614.851.094
Domestic sales	224.379.806	101.635.913
Other sales	24.368.911	28.840.657
Sales revenue (gross)	1.082.976.267	745.327.664
Less: Discounts and returns	(16.645.491)	(22.183.375)
Sales revenue (net)	1.066.330.776	723.144.289
Cost of sales	(807.473.506)	(601.660.991)
Gross profit	258.857.270	121.483.298

Cost of sales:

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

	1 January – 31 December 2017	1 January – 31 December 2016
Raw material costs	(388.715.307)	(250.377.367)
Personnel expenses	(149.232.732)	(145.815.722)
General production costs	(109.977.563)	(100.376.440)
Energy expenses	(74.901.609)	(62.767.251)
Depreciation and amortization expenses	(35.246.122)	(26.627.877)
Other	(49.400.173)	(15.696.334)
	(807.473.506)	(601.660.991)

**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 2017	1 January – 31 December 2016
Personnel	(2.671.603)	(4.339.544)
Research and development project costs	(443.061)	(290.393)
Other	(264.304)	(188.448)
	(3.378.968)	(4.818.385)

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**20. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND
GENERAL ADMINISTRATIVE EXPENSES (continued)**

Marketing expenses:

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

	1 January – 31 December 2017	1 January – 31 December 2016
Insurance premiums related to freight and customs procedures	(39.665.976)	(32.894.769)
Packaging	(14.708.259)	(11.502.892)
License fees	(2.282.842)	(12.088.273)
Warehousing	(1.802.497)	(3.223.931)
Personnel	(1.006.991)	(1.005.473)
Transportation	(3.030.658)	(3.759.700)
Other	(3.821.994)	(5.092.073)
	(66.319.217)	(69.567.111)

General administrative expenses:

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

	1 January – 31 December 2017	1 January – 31 December 2016
Personnel	(20.920.409)	(13.740.498)
Service charges by parent company	(4.560.732)	(11.760.045)
Taxes and stamp duty	(3.657.187)	(512.280)
Subcontractor expenses	(2.525.831)	(2.223.689)
Legal counseling expenses	(1.667.352)	(2.818.375)
Vacation pay liability expenses	(1.341.519)	(49.234)
Depreciation and amortization	(1.276.059)	(829.108)
Repair, maintenance and cleaning	(756.845)	(699.724)
Subscriptions	(726.894)	(679.275)
Notification payments	(405.811)	(600.036)
Travel expenses	(141.065)	(157.116)
Public holiday pay provision	(81.801)	(82.123)
Other	(6.929.298)	(5.281.657)
	(44.990.803)	(39.433.160)

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

21. EXPENSES BY TYPE

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

	1 January – 31 December 2017	1 January – 31 December 2016
Cost of goods sold	(35.246.122)	(26.627.877)
General administrative expenses	(1.276.059)	(829.108)
Depreciation and amortization	(36.522.181)	(27.456.985)
Cost of goods sold	(149.232.732)	(145.815.722)
General administrative expenses	(20.920.409)	(13.740.498)
Research and development expenses	(2.671.603)	(4.339.544)
Marketing expenses	(1.006.991)	(1.005.473)
Personnel expenses	(173.831.735)	(164.901.237)

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 2017	1 January – 31 December 2016
Foreign exchange income on other operating income	6.942.078	29.196.697
Insurance damage incomes	941.632	79.081
Service charges to parent company (*)	--	18.176
Reversal of impairment on receivables (Note 6)	2.877.361	1.151.915
Late payment incomes	--	3.144.996
Other	4.897.123	3.686.434
	15.658.194	37.277.299

(*) 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 2017	1 January – 31 December 2016
Foreign exchange expense on other operating expense	(17.571.191)	(7.656.128)
Provision for doubtful receivables	(2.352.306)	(962.078)
Rework expenses (**)	(899.808)	(627.694)
Rediscount interest expense	(398.389)	(18.125.539)
Tax penalty expense (*)	--	(9.023.469)
Other	(782.633)	(1.990.170)
	(22.004.327)	(38.385.078)

(*) 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 stock 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

23. INCOME FROM INVESTING ACTIVITIES

For the years ended 31 December, details of income from investing activities were as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Interest income	2.366.930	18.745.052
Gain on sale of property, plant and equipment	34.634	2.293.439
	2.401.564	21.038.491

24. FINANCE INCOME

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

	1 January – 31 December 2017	1 January – 31 December 2016
Foreign exchange gain	8.070.387	53.880.840
Interest income	--	553.658
	8.070.387	54.434.498

25. FINANCE COSTS

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

	1 January – 31 December 2017	1 January – 31 December 2016
Interest expenses	(42.560.210)	(31.686.197)
Foreign exchange losses	(14.477.165)	(68.506.603)
Employee termination interest expense	(3.470.692)	(2.300.324)
Factoring expenses	(2.873.317)	(17.640.695)
Loan expenses	(1.860.609)	(366.890)
Finance leasing interest expenses	(1.521.427)	(1.220.679)
Other	(5.119.750)	(5.523.806)
	(71.883.170)	(127.245.194)

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

As at 31 December 2017 and 31 December 2016, prepaid tax and income tax payable were comprised of the following:

	31 December 2017	31 December 2016
Prepaid taxes	(919.103)	(283.422)
Prepaid tax	(919.103)	(283.422)

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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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%). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences that will be realised in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realised after 2021 and onwards.

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 2016: 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 2017 and 31 December 2016 are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Current tax income/ (expense)	671.484	(98.049)
Deferred tax income / (expense)	(9.736.171)	12.714.827
Total tax income / (expense)	(9.064.687)	12.616.778

(*) See note 15.d.

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 2016: 20%). With the new amendment to the law this rate has been increased to %22 for the years of 2018, 2019 and 2020. The tax rate applied to the Group's subsidiary in United Kingdom is 20% (31 December 2016: 20%).

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

Deferred tax income (continued):

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2017 and 31 December 2016, were as follows:

	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	174.514.228	129.971.561	(34.902.845)	(25.994.312)
Revaluation fund for land	95.134.036	23.326.033	(19.026.809)	(4.665.207)
Revaluation fund for land improvements and buildings	(11.076.956)	116.936.567	553.848	(5.846.828)
Provision for employment termination benefits and notification payments	(35.016.819)	(33.577.659)	7.003.363	6.715.531
Net difference between the tax base and carrying value of inventories	448.746	993.660	(89.749)	(198.732)
Timing differences in recognition of revenue	(6.262.915)	(7.000.526)	1.252.583	1.400.105
Legal provisions	(12.443.682)	(9.073.822)	2.488.736	1.814.764
Provision for doubtful receivables	(311.482)	(323.000)	62.296	64.600
Investment incentives (*)	26.957.912	23.626.925	26.957.912	23.626.925
Other	(20.733.708)	(12.674.765)	4.146.742	2.534.953
Deferred tax liabilities - net			(11.553.923)	(548.201)

(*) 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 77.785.256 in the current period by using the 40% of investment contribution rate amounting TL 31.114.102. Since TL 4.156.190 of this amount is deducted in the calculation of corporate tax of year 2016, the remaining amount of TL 26.957.912 is recorded as deferred tax asset.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

Deferred tax income: (continued)

Movements of deferred tax liability are as follows:

	2017	2016
1 January	(548.201)	(14.247.917)
Current period deferred tax income / (expense)	(9.736.171)	12.714.827
Charged to equity	1.196.991	2.238.065
Foreign currency translation differences	(2.466.542)	(1.253.176)
31 December	(11.553.923)	(548.201)

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 is as follows:

	%	2017	%	2016
Income/(loss) before tax rate		77.192.461		(44.833.081)
Tax expense/(income) calculated at legal tax rate	20,00	15.438.492	20,00	(8.966.616)
Effect of share of equity-accounted investee	0,07	56.812	(0,11)	47.105
Effect of disallowable expenses	0,89	690.443	(9,29)	4.166.967
Effect of tax exemptions	(0,83)	(642.576)	0,05	(24.152)
Tax incentives	(4,32)	(3.330.987)	34,51	(15.470.671)
Tax losses (*)	--	--	(18,02)	8.078.609
Foreign currency translation differences	(4,08)	(3.147.497)	1,00	(448.020)
Tax provisions	11,74	9.064.687	28,14	(12.616.778)

(*) As at 31 December 2016, the Company can not utilise tax losses carried forward amounting to TL 40,393,046 until 2022. Deferred tax assets amounting to TL 8.078.609 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 2017 and 1 January - 31 December 2016, weighted average number of shares and earnings/ (loss) per share are as follows:

	2017	2016
Average number of shares outstanding during the period (full value)	6.684.480.000	6.684.480.000
Net profit by Parent Company	68.127.774	(32.216.303)
Earnings per share with nominal value of 1 KR	10,1919	(4,8196)

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

28. RELATED PARTY DISCLOSURES

Related parties of the Group are the Componenta Oyj Group until 12 October 2017. As explained in Note 1, the Company's shares have been transferred to Döktaş as of 12 October 2017 and the related parties of the Group have changed.

a) Due from related parties:

i. 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 2017	31 December 2016
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 2017 and 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 as other equity interest under equity.

ii. Other Receivables:

Long-term other receivables:

As at 31 December 2017 and 31 December 2016 long-term other receivables from related parties are as follows:

	31 December 2016	31 December 2015
Financial receivables-Componenta Oyj	--	12.591.208
Long-term other receivables (Note 7)	--	12.591.208

b) Due to related parties:

As at 31 December 2017 and 31 December 2016 trade payables due to related parties are as follows:

	31 December 2017	31 December 2016
Componenta Oyj	--	14.761.938
Componenta Pietarsaari	--	1.588.776
Componenta Främmestad AB	--	370.864
Componenta B.V.	--	240.769
Kumsan	238.329	234.161
Componenta Germany Gmbh	--	159.557
Componenta Finland Ltd Pori	--	134.718
Componenta Finland Oy Högfors	--	28.438
	238.329	17.519.221

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

28. RELATED PARTY DISCLOSURES (continued)

c) Sales to related parties:

For the year ended 31 December 2017 breakdown of sales to related parties are as follows:

	Trade Goods	Model	Management Service	Total
Componenta Främmestad AB	90.515.921	116.327	--	90.632.248
	90.515.921	116.327	--	90.632.248

For the year ended 31 December 2016 breakdown of sales to related parties are as follows:

	Trade Goods	Model	Management Service	Total
Componenta Främmestad AB	68.608.852	1.395.446	--	70.004.298
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
	82.369.585	1.395.446	551.779	84.316.810

d) Goods and services received:

For the year ended 31 December 2017 breakdown of the purchases from related parties are as follows:

	Cost of License	Management Service	Other	Total
Componenta Oyj	2.353.391	--	--	2.353.391
Componenta Pietarsaari	--	--	732.386	732.386
Componenta Finland Ltd Pori	--	--	887.512	887.512
Componenta Karkkila	--	--	284.696	284.696
Componenta Främmestad AB	--	--	35.652	35.652
Kumsan	--	--	20.644	20.644
	2.353.391	--	1.960.889	4.314.280

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

28. RELATED PARTY DISCLOSURES (continued)

d) Goods and services received (continued):

For the year ended 31 December 2016 breakdown of the purchases from related parties are 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 Främmostad AB	--	--	413.420	413.420
	8.667.933	8.103.555	3.837.449	20.608.937

e) Income from investing activities:

	1 January- 31 December 2017	1 January- 31 December 2016
Componenta Oyj	2.366.930	18.606.390
Interest obtained from personnel	--	138.662
Dividend income	--	75.300
	2.366.930	18.820.352

f) Remunerations to key management personnel:

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

	1 January- 31 December 2017	1 January- 31 December 2016
Short-term benefits	4.568.454	2.005.989
Long-term benefits	144.402	253.855
Total	4.712.856	2.259.844

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 maturity.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

a) Interest rate risk (continued)

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Financial liabilities	(156.490.157)	(142.914.863)
	(156.490.157)	(142.914.863)

	31 December 2017	31 December 2016
Financial instruments with variable interest rate		
Financial liabilities	(650.859.573)	(488.276.560)
	(650.859.573)	(488.276.560)

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 2017 and 2016 is as follows:

31 December 2017	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	
Maximum credit risk as at reporting date (*) (A+B+C+D+E)	--	244.823.253	--	12.024.872	17.445.443
Guaranteed portion of the maximum risk	--	590.000	--	--	--
A. Net book value of the assets that are not due or that are not impaired	--	215.281.026	--	12.024.872	17.445.443
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	--	29.542.227	--	--	--
- Guaranteed portion	--	--	--	--	--
D. Net book value of the assets impaired	--	--	--	--	--
Overdue (gross book value)	--	3.955.163	--	--	--
impaired (-)	--	(3.955.163)	--	--	--
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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

b) Credit Risk (continued)

31 December 2016	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related Parties	Other Parties	Related Parties	Other Parties	
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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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 2017	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	782.073.962	869.118.920	15.974.744	190.333.437	239.704.968	423.105.771
Finance lease liabilities	25.275.768	29.515.817	32.684	11.331.379	18.151.754	--
Trade payables	101.317.805	101.317.805	101.317.805	--	--	--
Other payables	6.624.947	6.624.947	6.261.210	--	363.737	--
Other liabilities	5.108.446	5.108.446	5.108.446	--	--	--
Total	920.400.928	1.011.685.935	128.694.889	201.664.816	258.220.459	423.105.771

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	--

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

d) Foreign Currency Risk

The Group, except the functional currency which is Euro, is expected 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.

The table below summarizes the Group's foreign currency position as at 31 December 2017 and 2016. Carrying values of foreign currency denominated assets and liabilities held by the Group are as follows:

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

FOREIGN CURRENCY POSITION TABLE	31 December 2017					31 December 2016				
	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other
1. Trade Receivables	24.496.816	293.913	22.716.874	--	--	32.998.507	376.541	980.635	7.106.612	--
2a. Monetary Financial Assets (including Cash, Banks accounts)	2.145.889	81.450	1.840.632	--	--	2.391.135	--	2.066.441	324.693	--
2b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
3. Other	1.452.167	35.338	1.168.904	24.124	60.000	1.844.948	65.334	1.575.075	9.251	--
4. Current Assets (1+2+3)	28.094.872	410.701	25.726.410	24.124	60.000	37.234.590	441.875	4.622.151	7.440.556	--
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)	28.094.872	410.701	25.726.410	24.124	60.000	37.234.590	441.875	4.622.151	7.440.556	--
10. Trade Payables	73.093.791	1.492.023	66.176.240	198.560	128.000	104.041.823	1.269.789	98.961.890	135.955	62.500
11. Financial Liabilities	5.783.108	8.778	--	--	--	14.588.768	43.499	14.435.686	--	--
12a. Other Monetary Liabilities	(9.015.896)	--	--	(1.774.678)	--	(4.598.851)	--	--	(1.064.820)	--
12b. Other Non-monetary Liabilities	--	--	--	--	--	--	--	--	--	--
13. Short-term Liabilities (10+11+12)	69.861.003	1.500.800	66.176.240	(1.576.118)	128.000	114.031.740	1.313.288	113.397.576	(928.865)	62.500
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)	69.861.003	1.500.800	66.176.240	(1.576.118)	128.000	114.031.740	1.313.288	113.397.576	(928.865)	62.500
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)	(41.766.131)	(1.090.099)	(40.449.830)	1.600.242	(68.000)	(76.797.150)	(871.413)	(108.775.425)	8.369.421	(62.500)
21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Item (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)	(41.766.131)	(1.090.099)	(40.449.830)	1.600.242	(68.000)	(76.797.150)	(871.413)	(108.775.425)	8.369.421	(62.500)

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	31 December 2017			
	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	(91.058)	91.058	(91.058)	91.058
2. Hedged from the USD risk (-)	--	--	--	--
3. USD Net Effect (1+2)	(91.058)	91.058	(91.058)	91.058
	10% change in TL against EUR			
4. TL net asset/liability	(895.800)	895.800	(895.800)	895.800
5. Hedged from the TL risk (-)	--	--	--	--
6. TL Net Effect (4+5)	(895.800)	895.800	(895.800)	895.800
	10% change in GBP against EUR			
7. GBP net asset/liability	180.040	(180.040)	180.040	(180.040)
8. Hedged from the GBP risk (-)	--	--	--	--
9. GBP Net Effect (7+8)	180.040	(180.040)	180.040	(180.040)
	% 10 change in other currency against EUR / in case of depreciation			
10- Other currency net asset/liability	(5.805)	5.805	(5.805)	5.805
11- Hedged from the other currency risk (-)	--	--	--	--
12- Other currency Net Effect (10+11)	(5.805)	5.805	(5.805)	5.805
TOTAL (3 + 6 +9+12)	(812.623)	812.623	(812.623)	812.623

(*) Does not include profit/loss effects.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

28. 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.

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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 2017	31 December 2016
Financial liabilities	807.349.730	631.191.423
Less: Cash and cash equivalents (Note 4)	(17.464.098)	(6.520.316)
Net financial liability	789.885.632	624.671.107
Total equity	43.315.235	(36.612.072)
Financial liabilities/equity ratio	1824%	(1706%)

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 2017		31 December 2016	
	Net carrying value	Fair value	Net carrying value	Fair value
Financial assets				
Cash and cash equivalents	17.464.098	17.464.098	6.520.316	6.520.316
Trade receivables	244.823.253	244.823.253	136.881.784	136.881.784
Other receivables	12.024.872	12.024.872	13.076.452	13.076.452
	274.312.223	274.312.223	156.478.552	156.478.552
Financial liabilities				
Borrowings	807.349.730	807.349.730	631.191.423	631.191.423
Trade payables	101.317.805	101.317.805	165.695.156	165.695.156
Other payables	6.624.947	6.624.947	9.650.025	9.650.025
	915.292.482	915.292.482	806.536.604	806.536.604

COMPONENTA DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

g) Fair Value (continued)

Carrying amounts versus fair values (continued)

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 assumed as fair value.

30. EVENTS AFTER THE REPORTING PERIOD

Change of the Company's name has been requested as Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. instead of Componenta Dökümcülük Ticaret ve Sanayi A.Ş. in the 2. article of incorporation which is titled "Trade Name". An authorization request to increase the issued capital by issuing new shares up to the registered capital ceiling in the 6. article of incorporation which is titled "Registered and Issued Capital" has been made and a positive response was received from the Capital Markets Board. This proposal will be presented to the General Assembly at the ordinary General Assembly meeting of 2016-2017 which is planned to be held in April.