DÖKTAŞ DÖKÜMCÜLÜK
TİCARET VE SANAYİ A.Ş.

Consolidated Financial Statements
As at and For the Year
Ended 31 December 2018
With Independent Auditors' Report Thereon

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

11 March 2019

This report includes 7 pages of Independent Auditors' Report and 71 pages of financial statements and notes to the financial statements.

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INDEPENDENT AUDITORS' REPORT

To the Board of Director of Döktaş Dökümcülük Ticaret ve Sanayi Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated statement of financial position of Döktaş Dökümcülük Ticaret ve Sanayi Anonim Şirketi and its subsidiary (together will be referred to as "the Group") as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Turkish corporation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Revenue recognition The main items of income of the Group consist of gray cast iron, high pressure and wheel sales for the automotive sector. The revenue is accounted for when control of the products sold is transferred to the customers and therefore the operating obligation is fulfilled. Net sales represent the invoiced amount less sales returns, discounts and commissions. The accounting for the revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether it relates to the product's sales contract. As the commercial arrangements can be complex, significant judgment is applied in selecting the accounting basis in each case. We identified revenue recognition as a key audit matter because recognition of revenue in the financial statements in the appropriate period requires significant judgments due to the complexity of the commercial arrangements. The Group has initially adopted TFRS 15 Revenue from Contracts with Customers as of 1 January 2018. TFRS 15 requires significant management estimation and judgment because it provides a comprehensive framework for determining when and in what amount the revenue will be recognised, based on the timing of realization of the seller's obligations, and the conditions for the transfer of control over the products and services to the buyer.	Our audit procedures in this area include the following: - Assessing the design, implementation and efficiency of key controls on revenue recognition in the consolidated financial statements, - Assessing the appropriateness of the revenue to the accounting policies and recognition in the financial statements in the appropriate reporting period by examining the transfer of the risks and benefits to the buyer through sales documents which are chosen by sampling method, - Assessing the timing of recognition of the revenue by examining the commercial and forwarding conditions of the customer contracts, - Performing the reconciliations for the trade receivables which are chosen by sampling method and matching with the financial statements, - Performing analytical procedures to determine the existence of extraordinary transactions, - Audit of the recognition of the returns, which are actualized after the reporting date, in the financial statements in proper reporting period - Assessing the journal entries which are recognized the period. Regarding the initial application of TFRS 15: - Obtaining an understanding of the Group's new accounting policies, evaluating their appropriateness and documenting the results, - Assessing the appropriateness of the methods used to determine the impact of the initial application of TFRS 15,

As such, first time adoption of revenue recognition in accordance with TFRS 15 is an area of focus in the audit and has been identified as a key audit matter. Detailed information and disclosures related to the revenue recognition are presented in Note 2.7 and Note 19.	- Assessing the Group's disclosures in the consolidated financial statements to satisfy the new disclosure requirements. - Analyzing the existing contracts with customers and considering revenue recognition policy in the current period in respect of those revenue streams, as well as completeness and accuracy of relevant disclosures.
<u>Key audit matter</u> Recoverability of trade receivables As at 31 December 2018, trade receivables comprise 23% of the total assets. Provision for impairment on trade receivables is recognized considering the collaterals received from customers, past collection performance and creditworthiness of customers and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore recoverability of trade receivables is a key matter for our audit. As described in note 2.5 to the consolidated financial statements, the Group has initially adopted TFRS 9 Financial Instruments as of 1 January 2018. We identified initial application of TFRS 9 as a key audit matter because TFRS 9 is a new and complex accounting standard which requires significant judgment for provision for impairment. Detailed information and disclosures related to the financial instruments of IFRS 9 are presented in Note 2.7.	<u>How the matter was addressed in our audit</u> We have performed the following audit procedures to be responsive to this area: - Review of the follow-up process of the collection of trade receivables, assessing the operational effectiveness of the internal controls in the process, - Review of the internal controls on the financial reporting of credit risk and testing the effectiveness of controls, - Review of the aging of receivables and comparison of trade receivables turnover rate with the prior year, - Obtaining information from legal counsels about the ongoing debt claims and inquiring whether there is any dispute or litigation regarding collections, - Sampling for balances of trade receivables and performing the reconciliations, - Testing the collections made after the reporting date which are chosen by sampling method, - Testing the collaterals received from the customers and evaluating the quality, - Evaluation of assumptions used in the model developed for the expected credit loss calculation, - Assessing the adequacy of disclosures in the notes to the financial statements for the recoverability of trade receivables, - Assessing the appropriateness of the disclosures in the consolidated financial statements in accordance with TFRS 9.

Key audit matter	How the matter was addressed in our audit
Valuation of property, plant and equipment at fair value The Group measures land and buildings and land improvements constituting 21% of the total assets at fair value. The Group works with independent valuation companies specialized in this area to determine the fair value of the said property, plant and equipment. As the valuation methods used to determine the fair value of the related items contain significant estimates and assumptions, and these items constitute a significant part of the Group's total assets, this issue has been identified as one of the key audit matters. Detailed information and disclosures related to the valuation of property, plant and equipment at fair value are presented in Notes 2.7, 2.8 and 12.	- The qualifications and competencies of the independent valuation company experts selected by the management to determine the fair value of land and buildings and land improvements were evaluated. - A specialist was used to assess the appropriateness of the methods and assumptions used in the valuation reports prepared by the independent valuation company and the appropriateness of the reports to the relevant legislation. - In addition, we have taken into consideration the importance of the information disclosed in the consolidated financial statements and explanatory notes for the readers of the financial statements and questioned the appropriateness of such information.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processs.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 11 March 2019.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2018, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Orhan Akova, SMMM
Partner
11 March 2019
İstanbul, Turkey

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DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

	Notes	**Audited 31 December 2018**	**Audited 31 December 2017**
ASSETS			
Current Assets		**363.638.379**	**277.381.300**
Cash and Cash Equivalents	*4*	27.741.417	17.464.098
Trade Receivables	*6*	154.001.711	123.713.249
- Trade receivables from third parties		*154.001.711*	*123.713.249*
Other Receivables	*7*	1.335.268	1.473.715
- Other receivables from third parties		*1.335.268*	*1.473.715*
Inventories	*9*	166.184.515	121.150.955
Prepaid Expenses	*10*	6.629.639	2.807.138
Current Income Tax Assets	*26*	--	919.103
Other Current Assets	*17*	7.745.829	9.853.042
Non-Current Assets		**996.097.924**	**771.122.709**
Trade Receivables	*6*	161.720.823	121.110.004
- Trade receivables from third parties		*161.720.823*	*121.110.004*
Other Receivables	*7*	14.585.849	10.551.157
- Financial receivables from third parties	*28*	*14.585.849*	*10.551.157*
Equity-Accounted Investees	*11*	8.190.316	5.637.272
Property, Plant and Equipment	*12*	777.288.682	607.050.269
Intangible Assets		11.842.633	8.582.887
- Goodwill	*14*	*6.834.872*	*5.119.918*
- Other intangible assets	*13*	*5.007.761*	*3.462.969*
Prepaid Expenses	*10*	13.140.604	9.234.874
Other Non-Current Assets	*17*	9.329.017	8.956.246
TOTAL ASSETS		**1.359.736.303**	**1.048.504.009**

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

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
Current Liabilities		**671.802.117**	**347.985.528**
Short-Term Borrowings	*5*	211.809.821	190.584.119
Short-Term Portion of Long-Term Borrowings	*5*	323.526.057	10.821.364
Trade Payables	*6*	94.266.310	101.317.805
- Trade payables to related parties	*28*	*7.058.487*	*238.329*
- Trade payables to third parties		*87.207.823*	*101.079.476*
Other Payables	*7*	9.440.939	6.261.210
- Other payables to third parties		*9.440.939*	*6.261.210*
Payables Related to Employee Benefits	*8*	14.769.890	15.075.191
Short-term Provisions	*15*	14.637.449	18.817.393
-Short-term provisions for employee benefits		*3.639.188*	*1.089.264*
-Other short-term provisions		*10.998.261*	*16.150.079*
Other Current Liabilities	*17*	3.351.651	5.108.446
Non-Current Liabilities		**559.050.603**	**652.878.724**
Long-Term Borrowings	*5*	479.994.480	605.944.247
Other Payables	*7*	485.573	363.737
- Other payables to third parties		*485.573*	363.737
Long-Term Provisions		51.350.736	35.016.817
- Long-term provisions for employee benefits	*16*	*51.350.736*	*35.016.817*
Deferred Tax Liabilities	*26*	27.219.814	11.553.923
TOTAL LIABILITIES		**1.230.852.720**	**1.000.864.252**
EQUITY		**128.883.583**	**47.639.757**
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*	(2.672.758)	40.636.228
- Gain on revaluation and re-measurement		*48.661.515*	*63.668.601*
- Remeasurements of defined benefit liability		*(51.334.273)*	*(23.032.373)*
Other Comprehensive Income/Expense Items That are or may be Reclassified Subsequently to Profit or Loss		200.474.272	172.403.448
- Foreign currency translation differences	*18*	*200.474.272*	*172.403.448*
Restricted Reserves	*18*	16.035.194	16.035.194
Other Equity Interests	*18*	(424.245.815)	(424.245.815)
Prior Years' Profits	*18*	125.860.629	62.481.740
Net Profit/(Loss) for the Year		101.230.873	68.127.774
TOTAL LIABILITIES AND EQUITY		**1.359.736.303**	**1.048.504.009**

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

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited 1 January-31 December 2018	Audited 1 January-31 December 2017
PROFIT OR LOSS:			
Revenue	*19*	1.179.872.081	1.066.330.776
Cost of Sales (-)	*19*	(931.795.423)	(807.473.506)
GROSS PROFIT		**248.076.658**	**258.857.270**
Marketing Expenses (-)	*20*	(40.788.733)	(66.319.217)
General Administrative Expenses (-)	*20*	(63.045.160)	(44.990.803)
Research and Development Expenses (-)		(655.322)	(3.378.968)
Other Operating Income	*22*	60.676.701	15.658.194
Other Operating Expenses (-)	*22*	(7.646.599)	(22.004.327)
OPERATING PROFIT		**196.617.545**	**137.822.149**
Income from Investing Activities	*23*	5.545.400	2.401.564
Share of Profit of Equity-Accounted Investees	*11*	820.385	781.531
OPERATING PROFIT BEFORE FINANCE COSTS		**202.983.330**	**141.005.244**
Finance Income	*24*	18.029.957	8.070.387
Finance Expenses (-)	*25*	(111.125.698)	(71.883.170)
OPERATING PROFIT/(LOSS) BEFORE TAX		**109.887.589**	**77.192.461**
Income Tax Expense			
- Current Tax Expense	*26*	--	671.484
- Deferred Tax Income	*26*	(8.656.716)	(9.736.171)
NET PROFIT/(LOSS) FOR THE YEAR		**101.230.873**	**68.127.774**
Ordinary and Diluted Earnings/(Loss) per Share (Nominal value of 1 Kuruş)	*27*	15,1442	10,1919
OTHER COMPREHENSIVE INCOME			
Profit or Loss not to be Reclassified		**(41.192.031)**	**(4.787.964)**
- Revaluation of property, plant and equipment		(13.390.792)	--
- Remeasurements of defined benefit liability	*16*	(35.377.375)	(5.984.955)
- Tax – Related to other comprehensive income not attributable to profit or losses	*26*	7.576.137	1.196.991
Profit or Loss to be Reclassified		**28.070.824**	**15.683.542**
- Foreign currency translation differences		28.070.824	15.683.542
TOTAL COMPREHENSIVE INCOME		**(13.121.207)**	**10.895.578**
TOTAL COMPREHENSIVE INCOME		**88.109.666**	**79.023.352**

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

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(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 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**
Balances at 1 January 2018		**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**
TFRS 9 Adjustment (Note 2.5)		--	--	--	--	--	--	--	--	(6.865.840)	--	(6.865.840)
Adjusted balances as of 1 January 2018		**66.844.800**	**45.195.347**	**161.041**	**63.668.601**	**(23.032.373)**	**172.403.448**	**16.035.194**	**(424.245.815)**	**55.615.900**	**68.127.774**	**40.773.917**
Transfers		--	--	--	--	--	--	--	--	68.127.774	(68.127.774)	--
Total comprehensive income		--	--	--	(12.890.131)	(28.301.900)	28.070.824	--	--	--	101.230.873	88.109.666
Depreciation transfer		--	--	--	(2.116.955)	--	--	--	--	2.116.955	--	--
Balances at 31 December 2018	**18**	**66.844.800**	**45.195.347**	**161.041**	**48.661.515**	**(51.334.273)**	**200.474.272**	**16.035.194**	**(424.245.815)**	**125.860.629**	**101.230.873**	**128.883.583**

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

DÖKTAŞ DÖKÜMCÜLÜK TİCARET VE SANAYİ A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**58.841.779**	**(55.682.305)**
Net profit/(loss)		**101.230.873**	**68.127.774**
Adjustments to reconcile net profit to cash provided by operating activities:		**181.976.091**	**103.680.073**
Depreciation and amortisation expenses	12,13	42.340.085	36.522.181
(Reversal of)/Provision for impairment		7.470.689	3.112.972
(Reversal of)/Provision for diminution in value of inventories	*9*	*(1.111.611)*	*760.666*
Provision for impairment on trade receivables	*22*	*8.582.300*	*2.352.306*
Adjustments related to provisions		(2.328.115)	14.399.080
Provision for employee termination benefits	*15,16*	*7.621.654*	*7.061.768*
Provision of litigation	*15*	*(738.337)*	*1.135.655*
Other provisions (cancellations)	*15*	*(9.211.432)*	*6.201.656*
Adjustments related to interest (income)/expense		64.863.699	47.552.329
Interest income	*24*	*(154.058)*	--
Interest expense	*25*	*65.017.757*	*47.552.329*
Unrealized foreign currency translation differences		(33.892.071)	(74.282.785)
Share of profit of equity-accounted investees	*11*	(820.385)	(781.531)
Tax income	*26*	8.656.716	9.064.687
Gain on sale of property, plant, and equipment		(5.545.400)	(34.634)
Gain on sale of property, plant, and equipment	23	*(5.545.400)*	*(34.634)*
Cash flows from operating activities before changes in operating assets and liabilities:		**181.976.091**	**103.680.073**
Increase in trade receivables		(83.703.275)	(113.171.136)
(Increase)/decrease in trade receivables from related parties		--	*99.955.005*
(Increase)/decrease in trade receivables from third parties		*(83.703.275)*	*(213.126.141)*
Increase in other receivables from operating activities		(3.896.245)	1.051.580
Decrease in other receivables from related party operations		--	*12.591.208*
(Increase)/decrease in other receivables from third party operations		*(3.896.245)*	*(11.539.628)*
Increase in inventories		(43.921.949)	(2.335.994)
(Increase)/decrease in prepaid expenses		(7.728.231)	1.183.870
Increase in trade payables		(7.051.495)	(64.377.351)
Increase in trade payables to related parties		*6.820.158*	*(17.280.892)*
Increase in trade payables to third parties		*(13.871.653)*	*(47.096.459)*
Increase in other payables from operating activities		3.301.565	(3.025.078)
Increase in other payables from operating activities with third parties		*3.301.565*	*(3.025.078)*
(Increase)/decrease on working capital		32.896.560	27.781.141
Increase in other assets from operations		*2.653.545*	*11.618.167*
Decrease in other liabilities from operations		*30.243.015*	*16.162.974*
Increase/(decrease) in payables related to employee benefits		(305.301)	989.183
Other cash flows/(change in restricted cash)	*4*	--	(4.102.994)
Cash from operating activities		**71.567.720**	**(52.326.705)**
Payments of employee termination benefits	*16*	(16.947.635)	(5.313.858)
Tax paid	26	--	(919.103)
Other cash inflows	6	4.221.694	2.877.361
Net cash from operating activities		**58.841.779**	**(55.682.305)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		15.032.299	2.540.999
Acquisition of property, plant and equipment and intangible assets		(32.582.953)	(25.020.066)
Acquisition of property, plant and equipment	*12*	*(28.823.241)*	*(22.097.831)*
Acquisition of intangible assets	*13*	*(3.759.712)*	*(2.922.235)*
Dividend received	*11*	(155.585)	(90.360)
Interest received		154.058	--
Net cash used in investing activities		**(17.552.181)**	**(22.569.427)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		206.302.875	285.032.184
Proceeds from bank loans		*206.302.875*	*285.032.184*
Repayment of borrowings		(237.560.957)	(191.733.676)
Repayment of bank loans		*(236.322.313)*	*(165.751.808)*
Repayment factoring payables		*(42.425)*	*(2.873.317)*
Other financial borrowing payments		*(1.196.219)*	*(23.108.551)*
Net cash provided from financing activities		**(31.258.082)**	**93.298.508**
INCREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE (A+B+C)		**10.031.516**	**15.046.776**
D. FOREIGN EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**245.803**	**--**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**17.464.098**	**2.417.322**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**10.277.319**	**15.046.776**
NET CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D +E)	**4**	**27.741.417**	**17.464.098**

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Döktaş 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 became a subsidiary of Componenta Oyj.

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 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.

The nominal value of TL 62.543.859 corresponding to 93.57% of the Company's capital was transferred to Döktaş Metal Sanayi ve Ticaret A.Ş. ("Döktaş Metal") 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 trade name of the Company, which was Componenta Dökümcülük Ticaret ve Sanayi Anonim Şirketi, has been changed as Döktaş Dökümcülük Ticaret ve Sanayi A.Ş. on 19 April 2018.

Founded for special purpose, Döktaş Metal decided to sell 93,57% of its shares to Çelik Holding A.Ş on 11 May 2018 and at the same date a share purchase agreement was signed between the parties.

The transfer transactions were completed after the lenders allowed the transfer of the pledged shares to the buyer and the permission was obtained from the Competition Board and the share transfer was completed on 29 June 2018.

The nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018. With the transfer of shares, the authority to control the Company's operations was transferred to Çelik Holding A.Ş.

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 average number of employees for the period 1 January-31 December 2018 was 2.309 (1 January - 31 December 2017: 2.419).

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.

Organize Sanayi Bölgesi İsmail Tiryaki Cad. No:7 45030 Manisa.

1. ORGANIZATION AND NATURE OF OPERATIONS *(continued)*

Doktas UK Ltd. is the wholly owned subsidiary of the Company. Doktas UK Ltd. operates in England and conducts the trade and marketing activities of gray cast iron, wheel and high pressure manufactured by the Company. As of 18 April 2018, the trade name of Componenta UK Ltd. has been changed as Doktas Trading UK Ltd.

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 2018 (Note 11).

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

2.1. Basis of Presentation

2.1.1. Approval of Financial Statements

The accompanying consolidated financial statements as at 31 December 2018 have been approved by the Company's Board of Directors to be published on 11 March 2019. 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 Turkish Financial Reporting Standards ("TFRS")

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 Financial Reporting Standards ("TFRS") which are published by Public Oversight Accounting and Auditing Standards Authority ("POA"). TFRS consists of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying consolidated financial statements have been prepared in accordance with the "Announcement on Financial Statements and Footnote Formats" announced by CMB and TAS Taxonomy issued by POA.

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

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 Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Authority ("POA") with respect to the application of inflation accounting, classification of some profit or loss items and also for certain disclosures requirement of the POA.

2.1.3. 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 TAS/TFRS) are not subject to the application of inflation accounting effective from 1 January 2005. Therefore, as at 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

2.1.5. Functional and Presentation Currency

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

Transactions and Balances

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

The translation of the financial statements of subsidiary in foreign country

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

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

2.1. Basis of Presentation *(continued)*

The translation of the financial statements of subsidiary in foreign country *(continued)*

For the purpose of translating the financial statements of the subsidiary in the foreign country, the average exchange rates for the periods in the statement of financial position and for the profit or loss table are as follows:

End of the period:	**31 December 2018**	**31 December 2017**
Turkish Lira / British Pound	6,6528	5,1142

Average:	**1 January-31 December 2018**	**1 January - 31 December 2017**
Turkish Lira / British Pound	6,4034	4,6867

Translation to the presentation currency (TL)

(a) As at 31 December 2018, 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 6,0280 TL / Euro (31 December 2017: 4,5155). 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 2018 have been translated into TL by using yearly average of CBRT's Euro bid rate, which corresponds to 5,6789 (For the year ended 31 December 2017, yearly average CBRT Euro exchange buying rate of 4,1164 TL / Euro).

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

2.2. Going Concern

As at 31 December 2018, 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.

On 1 September 2016, Componenta Oyj, declared publicly on Helsinki Stock Exchange that Componenta Oyj and its subsidiaries in Finland and Sweden filed for restructuring. It was also deciced for Componenta Oyj's Dutch subsidiary Componenta B.V. file for bankruptcy. The restructuring process of the parent company and the group companies has been continuing as at the reporting date. The Group has applied to the bankruptcy desk for the Dutch facilities and has initiated legal action for the collection of the receivables. On 23 August 2017, Componenta Oyj 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 on 13 July 2017.

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

2.2. Going Concern *(continued)*

The restructuring processes initiated have been concluded as a result of mutual signatures with the assigned trustees.

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 revised as 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.

On the other hand, Döktaş Metal has signed a share transfer consultancy agreement with İş Yatırım Menkul Değerler on 27 September 2017 and the Company's shares are sold to a buyer with a strategic and strong capital structure. On 11 May 2018, Döktaş Metal decided to sell 93.57% of its shares to Çelik Holding AS and a share transfer agreement was signed between the parties on the same date.

The nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018. Together with the transfer of shares, the Group's authority to control its operations was transferred to Çelik Holding A.Ş.

As of 31 December 2018, the Group has a total financial liability amounting to TL 1,015,330,358; TL 535,338,878 of which is short-term and TL 479.994.480 of which is long-term. On 27 September 2017, the Company completed the process of restructuring its existing loans with the lending banks and the use of new loans. The loan package renewed with the same banks under the auspices of Döktaş Metal was revised with the new loan package signed on 29 June 2018 and it was transferred to Çelik Holding A.Ş.

Within the scope of the share transfer agreement signed between Döktaş Metal and Çelik Holding A.Ş., Çelik Holding A.Ş. acknowledges that working capital needs to be provided to the Company in order to ensure the continuity of its activities and accepts and declares that it will pay this capital. The Company's sustainability and financial statements will be ensured under the guarantee of Çelik Holding.

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

2.3. Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Döktaş 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 TFRS 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 2018 and 31 December 2017:

	31 December 2018 Shares	31 December 2017 Shares
Doktaş UK Ltd.	100%	100%

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 the Group owns all shares of the 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 2018 Shares	31 December 2017 Shares
Kumsan	25,10%	25,10%

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

2.4. Changes in TFRS

Implementation of new and revised Turkish Financial Reporting Standards and interpretations

In the current period, there are no standards or comments that affect the financial performance, financial position, presentation or footnote statements of the group other than TFRS 15 and TFRS 9. However, the following details are given regarding the current period and the standards that have no effect on the company's financial statements and the standards and interpretations that have not yet been enacted and which have not been implemented early by the Company.

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.

TFRS 16 Leases

On 13 January 2016, POA 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. TFRS 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. TFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 Uncertainty Over Income Tax Treatments

On 17 June 2017, POA issued TFRIC 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. TFRIC 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. TFRIC 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 TFRIC 23.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 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 TFRS 9. Under TFRS 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 TFRS 9.

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

2.4. Changes in TAS *(continued)*

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

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 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 TFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

POA 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.

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

2.4. Changes in TAS *(continued)*

Improvements to IFRSs *(continued)*

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.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, POA issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). 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 19 will have significant impact on its consolidated financial statements.

TFRS 17 Insurance Contracts

On 18 May 2017, POA issued IFRS 17 Insurance Contracts. This first truly globally accepted 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.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the POA issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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

2.4. Changes in TAS *(continued)*

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The POA has issued amendments to TFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to TFRS 3 will have significant impact on its consolidated financial statements.

2.5 Changes in the accounting policies

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated.

There are no changed accounting policies in the consolidated financial statements and all accounting policies are applied in accordance with the previous periods except for the first time adoption of TFRS 15 and TFRS 9.

The details of significant new accounting policies and the impact and nature of changes in prior accounting policies are set out below.

a) TFRS 15 Revenue from contracts with customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretation.

TFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying TFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new standard is effective for periods beginning on or after 1 January 2018 and the application of TFRS 15 has not had significant impact on the consolidated financial statements and performance of the Group.

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

2.5 Changes in the accounting policies *(continued)*

b) TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The details of TFRS 9 are set out below:

i. Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Group classifies and measures the financial assets in accordance with TFRS 9 is presented below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

ii. Impairment of financial assets

TFRS 9 replaces the "incurred loss" model in TAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and contract assets but not to investments in equity instruments.

Effect of TFRS 9 on financial statements

The Group has started to apply TFRS 9 Financial Instruments standard at the first application date of 1 January 2018. TFRS 9 establishes requirements for the accounting and measurement of financial assets and liabilities, and for the purchase or sale of certain non-financial items. As of 1 January 2018, the effect of TFRS 9 on prior years' profit, net of tax, is summarized as follows:

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

2.5 Changes in the accounting policies *(continued)*

b) TFRS 9 Financial Instruments *(continued)*

	TFRS 9 application Effect on Opening Balances
Prior period profits	
Accounting for expected credit losses in accordance with TFRS 9	(8.582.300)
Tax effect	1.716.460
Impact as at 1 January 2018	**(6.865.840)**

The effect of the application of TFRS 9 on the carrying amounts of financial assets as at 1 January 2018 stems from the new provision for impairment as explained in more detail below.

The following table and accompanying notes clarify the original measurement categories within the scope of TAS 39 and the new measurement categories for each class of the Company's financial assets at 1 January 2018 in accordance with TFRS 9.

	Note	Original classification according to TAS 39	New classification according to TFRS 9	Original book value according to TAS 39	New book value according to TFRS 9
Financial assets					
Cash and cash equivalents	*4*	Loan and receivables	Amortized cost	17.464.098	17.464.098
Trade receivables	*6*	Loan and receivables	Amortized cost	244.823.253	236.240.953
Other receivables	*7*	Loan and receivables	Amortized cost	1.473.715	1.473.715
Total financial assets				**263.761.066**	**255.178.766**

Trade and other receivables classified as loans and receivables according to TAS 39 are now classified as those measured at amortized cost. An impairment loss of TL 8.582.300 for these receivables is recognized in prior years' profits in the transition to TFRS 9 on 1 January 2018.

As at 1 January 2018, the Company has determined that the application of the provisions of TFRS 9 relating to impairment results in an additional provision for impairment.

Provision for loss in accordance with TAS 39 as at 31 December 2017	**3.955.163**
Additional impairment recognized on 1 January 2018:	
- Trade Receivables	8.582.300
Provision for loss in accordance with TFRS 9 as at 1 January 2018	**12.537.463**

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

2.6. 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. There is no significant change in the accounting estimates of the Group in the current year.

Significant accounting errors are corrected retrospectively and prior period consolidated financial statements are restated. The Group has no significant accounting error in the current year.

2.7. Summary of Significant Accounting Policies

Significant accounting policies used in the preparation of consolidated financial statements are summarized below:

Financial Instruments

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income ("FVOCI") – debt investment; FVOCI – equity investment; or Fair Value Through the Statement of Profit or Loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- it is its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument, the provision of the following two conditions and reflected in profit or loss FVTPL differences reflected in other comprehensive income, classified as measured using in case of failure to measure.

- contractual cash flows of the financial asset to be collected and financial assets keeping it within the scope of a business model aimed at selling; and
- contract conditions for financial assets lead to cash flows involving interest payments arising solely from the principal and principal balances at specific dates.

Investments in non-commercial equity instruments that are not available for sale for the first time in the financial statements may be made an irrevocable choice to present subsequent changes in other comprehensive income at fair value. The choice of this choice can be made on an investment basis.

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

2.7. Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

All financial assets that are not measured at amortized cost as stated above or at the other comprehensive income are measured at the FVTPL difference. These include all derivative financial assets. In the first time, when financial assets are initially included in the financial statements, it can be defined as an irrevocable change in fair value through profit or loss, provided that it eliminates or substantially reduces any accounting mismatch arising from the measurement of financial assets and the inclusion of related earnings or losses in the financial statements.

Fair value changes in the initial measurement of financial assets other than those reflected in profit or loss (except trade receivables which are measured at the transaction cost and which do not have a significant component of financing) transaction costs that are directly attributable to acquisition or export are measured at fair value.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

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

2.7. Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity
instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial

liabilities.

a) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognized at fair value and are subsequently remeasured at their fair value. Derivative financial instruments of the Group predominantly constitute forward foreign currency purchase and sale contracts.

The fair value of forward foreign exchange contracts measured at fair value and associated with the consolidated profit or loss is calculated by reference to the market interest rates valid for the rest of the contract for the relevant currency for the relevant period, by comparison with exchange rate. Derivatives are recorded as assets or liabilities in the balance sheet, respectively, depending on whether the fair value is positive or negative differences arising from the fair value of derivative financial instruments except for the cash flow hedge explained below are reflected in the profit and loss statement in the consolidated statements of income.

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

2.7. Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities *(continued)*

Cash flow hedge

The Group performs cross currency transactions with participation option to hedge the cash flow risk of variable and fixed rate financial instruments and liabilities in different currencies. The effective portion of the fair value change of the hedging instrument in the cash flow hedge accounting is recognized in "other comprehensive income", while the ineffective portion is recognized in the in profit or loss. In the periods in which the cash flows of the hedged item affect the profit or loss, the profit or loss of the hedging instrument is also removed from equity and reflected to the income statement. In addition, the time value change in the options included in the structured cross-currency swaps is recognized in other comprehensive income as the hedging cost.

According to TFRS 9, the hedging relationship ends when the required criteria are no longer met after rebalancing. The termination of the hedging relationship is not accepted if the required criteria are met. In the event that the hedging target changes, the hedging instrument expires or is sold, terminated or used, the hedging accounting ends when the economic relationship between the hedging instrument and the hedged item is eliminated or the credit risk affects the fair value changes arising from the economic relationship.

When the Group discontinued hedge accounting for cash flow variability, the amount accumulated in the cash flow hedge fund is recognized as follows;

- The profit or loss recognized in other comprehensive income and presented in the hedging reserve under equity remains there until the cash flows of the hedged item realised.

- When the cash flows from the hedged item is expected not to be realised, the gain or loss accumulated under equity is recognized immediately in profit or loss.

Accounting at the date of transaction

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

2.7. Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition

Financial assets

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment of financial assets

Financial assets and contract assets
The Group recognizes loss allowances for the expected credit losses of the following items:
- financial assets measured at amortized cost;
- contract assets (as defined in TFRS 15).

Under TFRS 9, loss allowances are measured on either of the following bases:
Financial assets measured at amortized cost;
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument;and

Bank balances for which credit risk has not increased significantly since initial recognition;
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information

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

2.7. Summary of Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Impairment of financial assets (cont'd)

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The expected credit losses were calculated based on actual credit loss experience over the past years.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of TFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The Group has calculated the ECLs according to the experience of credit losses in the last three years. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

Inventories

Inventories are recognized at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the less marketing, selling and other various expenses to be incurred in order to realize sale.

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

2.7. Summary of Significant Accounting Policies *(continued)*

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 2018.

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.

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

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

Property, plant and equipment *(continued)*

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 infinite life. The depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows.

	Useful lives (year)
Buildings	30-50
Land improvements	15-30
Machinery and equipment	1-15
Furniture and fixtures	3-15
Motor vehicles	4-5

Intangible assets

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

Goodwill

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

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of each asset except deferred tax asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Impairment of assets *(continued)*

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.

Goodwill impairment

Goodwill arising in the purchase transaction is measured at cost at the date of purchase less provision for impairment.

The cash generating unit to which goodwill is allocated is subject to impairment testing every year. If there are indications that the unit is impaired, the impairment test is performed more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount, the impairment loss is initially recognized as the goodwill assigned to the unit, then the carrying amount of the assets in the unit is reduced. Impairment provision for goodwill is recognized directly in the consolidated profit or loss statement. Provision for impairment of goodwill is not cancelled in subsequent periods.

During the sale of the related cash generating unit, the amount determined for goodwill, profit/loss in the sale process it is included in the calculation.

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.

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

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

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.

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

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

Revenue recognition

Sales of goods

Revenue is recognized in the consolidated financial statements in accordance with the following five-stage model.

- Defining contracts with customers
- Defining enforcement obligations in contracts
- Determination of transaction price in contracts
- Distribution of transaction price to enforcement liabilities
- Revenue recognition

The Group sells cast iron, aluminum and wheels for the automotive industry. Group, above considering the five-stage model described, the sales revenue of the products exported to foreign customers and foreign customers ' supply chain partners to be shipped to domestic storage is recognized when the goods are delivered to the customers or to the said warehouses in a timely manner.

Net sales are calculated by deducting discounts and commissions.

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.

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.

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

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

Employee benefits / provision for employment termination benefit

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

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

Finance leases

Leases of property, plant and equipment where the Group 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.

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

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

Earnings per share

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

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

Reporting of cash flows

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

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

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

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

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

Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. Since there is not a geographical segmentation in the Group's organizational and management structure and internal financial reporting for the Board of Directors, geographical segment reporting is not performed.

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

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

2.8. 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, reassesses useful lives and depreciation expense of machinery and equipment taking into consideration the capacity utilization rate and condition of machinery and equipment, and, if necessary updates 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 2018 as 5,09%, calculated by an independent actuary company.

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

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

d) Value added tax carried forward

As at 31 December 2018, the Company has a total value added tax ("VAT") receivable of TL 17.019.449 (31 December 2017: TL 18.791.962) 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 2018. 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.

e) 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 TFRS, 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.

f) Impairment of financial assets

The estimations and assumptions used for the impairment of financial assets are explained in Note 2.7.

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 Directors' 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 2018**	**31 December 2017**
Gray cast iron	931.691.582	718.752.479
High pressure	297.902.281	229.816.398
Wheel	107.366.275	82.827.598
Unallocated assets (*)	22.776.165	17.107.532
Total assets per consolidated financial statements	**1.359.736.303**	**1.048.504.008**

(*) As at 31 December 2018, unallocated assets consist of loans and interests of loans landed to Componenta Oyj amounting to TL 14.585.849 (31 December 2017: TL 10.551.157) and financial investments in Kumsan amounting to TL 8.190.316 (31 December 2016: TL 5.637.272). (Balance at 31 December 2017, current tax receivable amounting to TL 919.103).

Segment liabilities:	**31 December 2018**	**31 December 2017**
Gray cast iron	141.711.447	144.192.051
High pressure	47.372.826	48.202.069
Wheel	14.586.909	14.842.247
Unallocated liabilities (*)	1.027.181.538	793.627.885
Total liabilities per consolidated financial statements	**1.230.852.720**	**1.000.864.252**

(*) As at 31 December 2018 and 31 December 2017, unallocated liabilities consist of bank borrowings and deferred tax liabilities.

Segmental analysis for the year ended 31 December 2018:

	Gray cast iron	**High pressure**	**Wheel**	**Total**
External revenues	827.328.524	184.729.345	167.814.212	1.179.872.081
Operating expenses	(719.836.203)	(171.170.952)	(145.277.483)	(1.036.284.638)
Operating profit	**107.492.321**	**13.558.393**	**22.536.729**	**143.587.443**
Other operating income, net				53.030.102
Finance costs				(111.125.698)
Finance income				18.029.957
Share of profit of equity-accounted investees				820.385
Income from investing activities				5.545.400
Profit before tax				**109.887.589**
Tax income				(8.656.716)
Net profit for the year				**101.230.873**

3. SEGMENT REPORTING (continued)

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
Profit before tax				**77.192.461**
Tax income				(9.064.687)
Net profit for the year				**68.127.774**

	31 December 2018			
	Gray cast iron	**High pressure**	**Wheel**	**Total**
Depreciation and amortization	22.268.413	16.325.046	3.746.627	42.340.085
Capital expenditures	16.141.254	11.025.984	5.415.715	32.582.953

	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

4. CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 31 December 2017, the details of cash and cash equivalents were as follows:

	31 December 2018	31 December 2017
Cash	44.601	18.655
Banks	27.696.816	17.445.443
Time deposits – Other foreign currency	*865.000*	--
Demand deposits – EUR	*24.981.962*	*14.677.947*
Demand deposits – Other foreign currency	*1.849.854*	*2.767.496*
	27.741.417	**17.464.098**

As at 31 December 2018, The Group has 865.000 Turkish Lira time deposits in bank accounts. The interest rate of the time deposit is 22.5% and the maturity is 2 January 2019. As at 31 December 2017, there are no time deposits in the Group's bank accounts. As at 31 December 2018 and 31 December 2017, there are no blockages on bank accounts.

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

5. SHORT AND LONG TERM BORROWINGS

As at 31 December 2018 and 31 December 2017, the details of financial liabilities measured at amortized cost were as follows:

	31 December 2018	31 December 2017
Short-term bank loans and factoring payables	198.410.240	177.068.993
Short-term financial lease liabilities	13.399.581	13.515.126
	211.809.821	**190.584.119**
Short-term portions of long-term bank loans	323.526.057	10.821.364
Total short-term borrowings	**535.335.878**	**201.405.483**
Long-term bank loans	478.025.427	594.183.605
Long-term financial lease liabilities	1.969.053	11.760.642
Total long-term borrowings	**479.994.480**	**605.944.247**
Total financial liabilities	**1.015.330.358**	**807.349.730**

Short-term bank loans and factoring payables

	31 December 2018		
	Annual average interest rate %	**Amount in original**	**TL**
Short-term Euro borrowings (*)	6,51	32.914.771	198.410.240
Total short-term bank loans and factoring payables			**198.410.240**

	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**

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

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

Short-term portion of long term bank loans

	31 December 2018		
	Annual average interest rate %	**Amount in original**	**TL**
Short-term portion of long-term Euro bank loans	5,66	53.670.547	323.526.057
Short-term portion of long-term bank loans			**323.526.057**

	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
Short-term portion of long-term bank loans			**10.821.364**

As of 31 December 2018, the Group's bank loans are secured. The details of guarantees are explained in Note 15.b.

Long-term bank loans

	31 December 2018		
	Annual average interest rate %	**Amount in original**	**TL**
Long-term Euro bank loans	6,26	79.300.834	478.025.427
Long-term bank loans			**478.025.427**

	31 December 2017		
	Annual average interest rate %	**Amount in original**	**TL**
Long-term Euro bank loans	6,39	131.587.555	594.183.605
Long-term bank loans			**594.183.605**

Redemption schedules of short-term and long-term borrowings at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018	**31 December 2017**
Up to 1 year	521.936.297	187.890.357
1 to 2 years	47.348.768	240.192.662
3 to 4 years	85.713.381	63.405.129
Over 4 years	344.963.278	290.585.814
	999.961.724	**782.073.962**

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

Details of the Group's variable and fixed interest rate loans as at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018	31 December 2017
Variable interest rate loans	340.700.308	650.859.573
Fixed interest rate loans	659.261.416	131.214.389
	999.961.724	**782.073.962**

On 27 September 2017, the Company completed the process of restructuring its existing loans with the lending banks and the use of new loans. The loan package renewed with the same banks under the auspices of Döktaş Metal was revised with the new loan package signed on 29 June 2018 and it was transferred to Çelik Holding A.Ş.

As at 31 December 2018, TL 312,134,186, equivalent of EUR 51,780,721, included in the short-term bank loans was used as a renewable loan for the refinancing of working capital needs.

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 January 2018 and 31 December 2018. The lower limits determined shall be notified written to the Group and it will be legally binding.

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

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

Redemption schedules of finance lease liabilities are as follows:

	31 December 2018			31 December 2017		
	Minimum financial leasing payment	**Interest**	**Total liabilities**	**Minimum financial leasing payment**	**Interest**	**Total liabilities**
Short-term portion						
2018	--	--	--	14.668.093	(1.152.967)	13.515.126
2019	14.008.998	(609.417)	13.399.581	--	--	--
Short-term portion	**14.008.998**	**(609.417)**	**13.399.581**	**14.668.093**	**(1.152.967)**	**13.515.126**
Long-term portion						
2019	--	--	--	9.931.761	(412.653)	9.519.107
2020	2.045.090	(76.037)	1.969.053	2.282.617	(41.082)	2.241.535
Long-term portion	**2.045.090**	**(76.037)**	**1.969.053**	**12.214.378**	**(453.736)**	**11.760.642**
	16.054.088	**(685.454)**	**15.368.634**	**26.882.471**	**(1.606.703)**	**25.275.768**

Financial lease liabilities are denominated in Euro and the interest rates are 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.

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables:

As at 31 December 2018 and 31 December 2017, the details of the Group's trade receivables were as follows:

	31 December 2018	31 December 2017
Short-term		
Receivables from third parties (*)	163.068.070	127.668.412
- Customer accounts	*163.068.070*	*127.583.258*
- Income accruals	--	*85.154*
Less: Provision for doubtful receivables	(9.066.359)	(3.955.163)
Short-term trade receivables	**154.001.711**	**123.713.249**
Long-term		
Customer accounts	164.910.226	121.110.004
Less: Provision for doubtful receivables	(3.189.403)	--
Long-term trade receivables	**161.720.823**	**121.110.004**
Total	**315.722.534**	**244.823.253**

(*)Receivables from Componenta Oyj group companies have been reclassified to receivables from third parties after transfer of the Company's shares.

Aging analysis for trade receivables

As at 31 December 2018 and 31 December 2017, maturities of trade receivables were as follows:

	31 December 2018	31 December 2017
Overdue receivables	40.557.914	29.542.227
0-30 days maturity	35.702.419	27.932.564
31-90 days maturity	56.323.453	44.065.879
91 days and over	183.138.748	143.282.583
	315.722.534	**244.823.253**

As at 31 December 2018 and 31 December 2017, overdue days of receivables are as follows:

Days overdue	**31 December 2018**	**31 December 2017**
0 – 1 month	11.856.046	8.352.983
1 – 3 months	15.856.571	19.757.997
3 months and over	12.845.297	1.431.247
	40.557.914	**29.542.227**

Guarantee letters taken from the customers related with trade receivables are amounting to TL 250.000 (31 December 2017: TL 190.000), and the long-term notes payable are amounting to TL 400.000 (31 December 2017: TL 400.000).

6. TRADE RECEIVABLES AND PAYABLES *(continued)*

Trade receivables *(continued)*

For the years ended 31 December 2018 and 31 December 2017, the movements of provision for doubtful receivables were as follows:

	2018	2017
1 January	**3.955.163**	**3.722.736**
Provision cancelled	--	2.352.306
TFRS 9 application opening effect (Note 2.5)	8.582.300	--
Collections	(4.221.694)	(2.877.361)
Foreign exchange difference	3.939.993	757.482
31 December	**12.255.762**	**3.955.163**

Trade receivables have approximately 1-2 months of maturity terms on average (31 December 2017: 1-2 month). The Group's currency and interest rate risks are explained in Note 29.

Trade payables

As at 31 December 2018 and 31 December 2017, the details of the Group's trade payables were as follows:

	31 December 2018	31 December 2017
Payables to related parties (Note 28.b)	7.058.487	238.329
Payables to third parties	87.207.823	101.079.476
- Trade payables	*86.734.276*	*63.957.586*
- Notes payable	*473.547*	*37.121.890*
	94.266.310	**101.317.805**

Trade Payables have approximately 1-4 months of maturity terms on average (31 December 2017: 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 2018 and 31 December 2017, the details of short-term other receivables were as follows:

	31 December 2018	31 December 2017
Deposits and guarantees given	1.335.268	1.473.715
	1.335.268	**1.473.715**

7. OTHER RECEIVABLES AND PAYABLES (continued)

Long-term other receivables:

As at 31 December 2018 and 31 December 2017, the details of long-term other receivables were as follows:

	31 December 2018	31 December 2017
Financial receivables from non-related parties (*)	14.585.849	10.551.157
	14.585.849	**10.551.157**

(*) Consist of the financial receivables from Componenta Oyj.

Other payables

As at 31 December 2018 and 31 December 2017, the details of short-term and long-term other payables were as follows:

	31 December 2018	31 December 2017
Installments of tax liabilities of prior periods	1.005.886	865.562
Other refundable VAT	8.435.053	5.395.648
Short-term other payables	**9.440.939**	**6.261.210**

	31 December 2018	31 December 2017
Installments of tax liabilities of prior periods	485.573	363.737
Long-term other payables	**485.573**	**363.737**

Management Fee Investigation

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

In accordance with the related report dated 26 January 2016, the total amount of TL 11,483,259.61 for Withholding and VAT Tax Principle and the total amount of TL17,224,889.42 for such tax penalty have been notified to the Group by Bursa Ertuğrulgazi Tax Office and Bursa Orhangazi Tax Office for penalty notice on 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 for installments. The total tax liability to be paid by the Group have been reduced to TL 7.024.161 to be paid in 6 installments in total within 2 months period.As at 31 December 2018, amounting to TL 5.532.702 of the debts was paid.

8. PAYABLES RELATED TO EMPLOYEE BENEFITS

As at 31 December 2018 and 31 December 2017, the payables related to employee benefits were as follows:

	31 December 2018	31 December 2017
Payables to the personnel	7.783.366	5.667.987
Payables to social security institution	3.645.451	6.074.589
Personnel income tax and stamp tax payables	3.341.073	3.332.615
	14.769.890	**15.075.191**

9. INVENTORIES

As at 31 December 2018 and 31 December 2017, the details of the inventories were as follows:

	31 December 2018	31 December 2017
Raw materials	69.211.308	51.317.343
Work-in-progress	9.564.610	15.288.607
Finished goods	67.966.664	47.912.824
Other (*)	20.445.535	8.267.849
	167.188.177	**122.786.623**
Less: Provision for net realisable value of inventories (**)	(1.003.602)	(1.635.668)
	166.184.515	**121.150.955**

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

(**) Consists of net realizable value difference.

For the years ended 31 December 2018 and 31 December 2017, movements of impairment provision were as follows:

	2018	2017
Balance at 1 January	**1.635.668**	**718.892**
Provision for diminution in value of inventories during the period	--	760.666
Reversal of impairment losses	(1.111.611)	--
Foreign currency translation differences	479.545	156.110
Balance at 31 January	**1.003.602**	**1.635.668**

For the period from 1 January to 31 December 2018, a portion amounting to TL 456.532.667 of the cost of goods sold is related to raw material and supplies usage (1 January - 31 December 2017: TL 388.715.307). Impairment provisions and cancellations on inventory are included in cost of sales.

10. PREPAID EXPENSES

Short-term prepaid expenses

As at 31 December 2018 and 31 December 2017, the details of the short-term prepaid expenses were as follows:

	31 December 2018	31 December 2017
Deferred finance costs (*)	5.840.266	1.900.105
Advances given to suppliers	523.568	510.342
Prepaid expenses for the following months	265.805	396.691
	6.629.639	**2.807.138**

Long-term prepaid expenses

As at 31 December 2018 and 31 December 2017, the details of the long-term prepaid expenses were as follows:

	31 December 2018	31 December 2017
Deferred finance costs (*)	13.140.604	6.175.343
Advances given to suppliers	--	3.059.531
	13.140.604	**9.234.874**

(*) As at 31 December 2018 and 31 December 2017, deferred finance costs consist of prepaid commission and lawyer expenses on loan amounting to Euro 120.000.000.

11. EQUITY-ACCOUNTED INVESTEES

Investment in associates:

As at 31 December 2018 and 31 December 2017, the details equity-accounted investees were as follows:

	31 December 2018		31 December 2017	
	Associate Share %	Associate Amount	Associate Share %	Associate Amount
Kumsan	25,10	8.190.316	25,10	5.637.272

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

	2018	2017
1 January - Investment in associates	**5.637.272**	**4.060.133**
Share of profit of equity-accounted investees	820.385	781.531
Dividends received	(155.585)	(90.360)
Foreign currency translation differences	1.888.244	885.968
31 December - Investment in associates	**8.190.316**	**5.637.272**

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

	31 December 2018		31 December 2017	
	Total assets	Total liabilities	Total assets	Total liabilities
Kumsan	35.496.484	2.865.742	25.412.055	2.952.803

	31 December 2018		31 December 2017	
	Revenue	Net income	Revenue	Net income
Kumsan	23.352.608	2.648.609	30.979.569	2.772.401

12. PROPERTY PLANT AND EQUIPMENT

For the years ended 31 December 2018 and 31 December 2017, movements of property, plant and equipment were as follows:

	Lands	Buildings and land improvements	Machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
Opening net carrying value, 1 January 2017	**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
Closing net carrying value, 31 December 2017	**123.307.393**	**106.617.576**	**337.787.395**	**15.391.423**	**38.780**	**23.907.702**	**607.050.269**
Opening net carrying value, 1 January 2018	**123.307.393**	**106.617.576**	**337.787.395**	**15.391.423**	**38.780**	**23.907.702**	**607.050.269**
Additions	859.189	746.231	14.106.597	3.071.421	160.602	9.879.201	28.823.241
Disposals	--	--	(25.528.266)	--	--	--	(25.528.266)
Transfers	--	18.793	20.504.048	427.562	--	(21.324.859)	(374.456)
Foreign currency translation differences	41.302.720	35.712.344	113.127.592	5.144.502	12.988	7.957.939	203.258.085
Revaluation of property plant and equipment	(21.774.945)	8.384.153	--	--	--	--	(13.390.792)
Depreciation charge	--	(7.666.612)	(26.266.708)	(4.607.332)	(50.114)	--	(38.590.766)
Disposals from accumulated depreciation	--	--	16.041.367	--	--	--	16.041.367
Closing net carrying value, 31 December 2018	**143.694.357**	**143.812.485**	**449.772.025**	**19.427.576**	**162.256**	**20.419.983**	**777.288.682**
Net book value							
31 December 2017	123.307.393	106.617.576	337.787.395	15.391.423	38.780	23.907.702	607.050.269
31 December 2018	143.694.357	143.812.485	449.772.025	19.427.576	162.256	20.419.983	777.288.682

TL 40.148.853 (31 December 2017: TL 35.246.122) of the current period depreciation and amortisation expenses have been reflected to costs of goods sold and TL 2.191.232 (31 December 2017: TL 1.276.059) to operating expenses.

13. PROPERTY PLANT AND EQUIPMENT

Fair value of land and buildings and land improvements of the Group has been determined according to valuations at 31 December 2018. Valuation companies which are the independent companies authorized by CMB, are sufficient for the appropriateness of the valuation. Valuations made in accordance with International Valuation Standards in valuation reports were determined by the method of cost approach.

The fair value of land, land improvements and buildings are as determined as follows:

Level 1: Land and buildings and land improvements are valued at quoted prices in active markets for identical assets or liabilities.

Level 2: Land and buildings and land improvements are valued directly from the inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Land and buildings and land improvements are valued using inputs for the asset or liability that are not based on observable market data.

The fair value measurement of land and buildings and land improvements are categorized as Level 3 fair value based on the inputs to the valuation technique used.

13. INTANGIBLE ASSETS

For the years ended 31 December 2018 and 31 December 2017, movements of intangible assets were as follows:

	Rights	Total
Cost		
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**
1 January 2018 opening balance	**19.079.255**	**19.079.255**
Additions	3.759.712	3.759.712
Transfer	374.454	374.454
Translation differences	758.120	758.120
31 December 2018 closing balance	**23.971.541**	**23.971.541**

	Rights	Total
Accumulated Amortization		
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**
1 January 2018 opening balance	**15.616.286**	**15.616.286**
Additions	3.749.319	3.749.319
Translation differences	(401.825)	(401.825)
31 December 2018 closing balance	**18.963.780**	**18.963.780**
Net carrying value		
31 December 2017	3.462.969	3.462.969
31 December 2018	5.007.761	5.007.761

14. GOODWILL

Goodwill is amounting to TL 6.834.872 as at 31 December 2018 (31 December 2017: TL 5.119.918). Goodwill has arisen due to the acquisition of Componenta UK Ltd. shares in 2006.

	2018	2017
1 January	**5.119.918**	**4.206.485**
Translation Differences	1.714.954	913.433
31 December	**6.834.872**	**5.119.918**

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 2018 and 31 December 2017, the details of other current provisions were as follows:

	31 December 2018	31 December 2017
Provisions for litigation (1)	7.435.107	6.156.625
Unused vacation pay liability (2)	3.639.188	2.667.314
Provisions for energy and water expenses (3)	596.985	394.408
Other short-term provisions (4)	2.966.169	9.599.046
	14.637.449	**18.817.393**

(1) 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 2018 and 31 December 2017 by deducting the compensable amount of insurance from estimated payments.

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

(3) As at 31 December 2018, provision consists of not invoiced electricity, natural gas and water expense accruals for the year 2018.

(4) As at 31 December 2018, other short term provisions consist of uninvoiced provisions based on consultancy services.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES *(continued)*

a) Short-term provisions*(continued)*:

As at 31 December 2018 and 31 December 2017, movements of provisions of the Group were as follows:

	1 January 2018	Additions	Foreign currency translation differences	Unutilized Portion/Utilization	31 December 2018
Provisions for litigation	6.156.625	--	2.016.819	(738.337)	7.435.107
Unused vacation pay liability	2.667.314	73.894	897.980	--	3.639.188
Provisions for energy and water expenses	394.408	66.386	136.191	--	596.985
Other short-term provisions	9.599.046	--	2.644.941	(9.277.818)	2.966.169
Total	**18.817.393**	**140.280**	**5.695.931**	**(10.016.155)**	**14.637.449**

	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**

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

The Group's guarantee letters/ pledges/ mortgages (GPMs) position as at 31 December 2018 and 31 December 2017 were as follows:

31 December 2018	Total TL equivalent	Original Currency TL	Original Currency US Dollar	Original Currency EUR
A. GPMs given on behalf of the Company's legal personality	7.760.959.529	3.330.379.529	--	735.000.000
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	**7.760.959.529**	**3.330.379.529**	**--**	**735.000.000**
Other GPMs	**--**	**--**	**--**	**--**

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 6022% as at 31 December 2018 (31 December 2017: 6564%).

As at 31 December 2018, 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 10.379.529 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.

31 December 2017	**Total TL equivalent**	**Original Currency TL**	**Original Currency US Dollar**	**Original Currency EUR**
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	**--**	**--**	**--**	**--**

c) Collaterals Received:

	31 December 2018	**31 December 2017**
Guarantee letters received	3.752.726	6.553.624
Guarantee cheques and notes received	5.020.061	4.593.890
Total guarantees received	**8.772.787**	**11.147.514**

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

16. EMPLOYEE BENEFITS

Long term provisions related to Employee benefits

	31 December 2018	31 December 2017
Provision for employment termination benefits	51.350.736	35.016.817
	51.350.736	**35.016.817**

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 5.002 for each year of service as at 31 December 2018 (31 December 2017: TL 4.732).

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 2018	31 December 2017
Annual discount rate (%)	5.09	4,70
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 5.002, which is effective from 1 January 2018. (1 January 2017: TL 4.732), has been considered in the calculation.

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

	2018	2017
1 January	**35.016.817**	**33.577.659**
Interest cost	4.739.358	3.470.692
Current year service cost	2.808.402	2.249.557
Actuarial loss	35.377.375	5.984.955
Foreign currency translation differences	(9.643.581)	(4.952.188)
Payments during the period	(16.947.635)	(5.313.858)
31 December	**51.350.736**	**35.016.817**

17. OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December 2018 and 31 December 2017, details of other current assets were as follows:

	31 December 2018	31 December 2017
Export Registered VAT Receivables	7.690.432	9.835.716
Other	55.397	17.326
	7.745.829	**9.853.042**

Other non-current assets

	31 December 2018	31 December 2017
Long Term Export Registered VAT Receivables (*)	9.329.017	8.956.246
	9.329.017	**8.956.246**

(*) 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 2018 and 31 December 2017.

Other short-term liabilities

As at 31 December 2018 and 31 December 2017, details of other short-term liabilities were as follows:

	31 December 2018	31 December 2017
Deferred revenue	1.176.485	1.123.849
Advances received	1.146.375	2.416.696
Other short-term liabilities (*)	1.028.791	1.567.901
	3.351.651	**5.108.446**

(*) As at 31 December 2018, TL 204.968 portion of other short-term liabilities consist of liabilities to trade union (31 December 2017: TL 1.201.690).

18. SHAREHOLDER'S EQUITY

Paid-in Capital

The Company applies registered capital system which is recognized by BIST registered companies. The Company has share capital ceiling 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 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
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 paid-in capital at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2018	Shareholding Percentage (%)	31 December 2017	Shareholding Percentage (%)
Çelik Holding A.Ş.	62.543.860	93,57	62.543.860	93,57
Held by public	4.300.940	6,43	4.300.940	6,43
Total paid-in-capital	**66.844.800**	**100,00**	**66.844.800**	**100,00**

18. SHAREHOLDER'S EQUITY *(continued)*

The Company has 6.684.480.000 shares (31 December 2018: 6.684.480.000 shares) each with the nominal value of Kr 1 as at 31 December 2018. The Company has no privileged shares.

As explained in Note 1, the nominal value of TL 62.543.859 corresponding to 93,57% of the Group's capital were transferred to Çelik Holding A.Ş. by Döktaş Metal upon approval of the transfer of the pledged shares by the Lenders on 29 June 2018. The transfer was registered on 11 July 2018.

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 2018 and 31 December 2017, 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 2018 and 31 December 2017, the Group's prior year's profits are amounting to TL 125.860.629 and TL 62.481.740, 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 10% of the paid-in capital. As at 31 December 2018, legal reserves of the Group is amounting to TL 16.035.194 (31 December 2017: 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 2018, other equity interest is amounting to TL 424.245.815.

18. SHAREHOLDER'S EQUITY *(continued)*

Other Equity İnterest *(continued)*

As at 31 December 2018 and 31 December 2017, details of trade and financial receivables from related parties and uncollectible portion were as follows:

		Uncollectible receivables	
	Gross value of receivables	**31 December 2018**	**31 December 2017**
Financial Receivables -Componenta Oyj	358.486.398	(347.347.749)	(347.347.749)
Trade Receivables- Componenta Frammestad	125.406.384	(23.839.157)	(23.839.157)
Trade Receivables- Componenta B.V.	35.868.471	(36.005.093)	(36.005.093)
Trade Receivables- Componenta Finland Oy Högfors	22.259.252	(17.053.815)	(17.053.815)
	542.020.505	**(424.245.815)**	**(424.245.815)**

Dividend:

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

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

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

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

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

The Company has not distributed dividends during the current year.

19. REVENUE AND COST OF SALES

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

	1 January – 31 December 2018	**1 January – 31 December 2017**
Export sales	915.239.674	834.227.550
Domestic sales	267.373.527	224.379.806
Other sales	26.069.598	24.368.911
Sales revenue (gross)	**1.208.682.799**	**1.082.976.267**
Less: Discounts and returns	(28.810.718)	(16.645.491)
Sales revenue (net)	**1.179.872.081**	**1.066.330.776**
Cost of sales	(931.795.423)	(807.473.506)
Gross profit	**248.076.658**	**258.857.270**

Cost of sales:

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

	1 January – 31 December 2018	**1 January – 31 December 2017**
Raw material costs	(456.532.667)	(388.715.307)
Personnel expenses	(169.141.380)	(149.232.732)
General production costs	(137.881.695)	(109.977.563)
Energy expenses	(92.815.293)	(74.901.609)
Depreciation and amortization expenses	(36.910.923)	(35.246.122)
Other	(38.513.465)	(49.400.173)
	(931.795.423)	**(807.473.506)**

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

Marketing expenses:

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

	1 January – 31 December 2018	1 January – 31 December 2017
Insurance premiums related to freight and customs procedures	(22.437.737)	(39.665.976)
Packaging	(10.252.487)	(14.708.259)
License fees	(543.760)	(2.282.842)
Warehousing	(745.702)	(1.802.497)
Personnel	(1.064.606)	(1.006.991)
Transportation	(3.517.488)	(3.030.658)
Other	(2.226.953)	(3.821.994)
	(40.788.733)	**(66.319.217)**

General administrative expenses:

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

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel	(37.427.086)	(20.920.409)
Information technology services expenses	(5.016.155)	(4.560.732)
Taxes and stamp duty	(4.078.109)	(3.657.187)
Subcontractor expenses	(2.691.986)	(2.525.831)
Legal counseling expenses	(2.720.074)	(1.667.352)
Depreciation and amortization	(2.191.232)	(1.276.059)
Repair, maintenance and cleaning	(2.103.839)	(756.845)
Subscriptions	(821.612)	(726.894)
Notification payments	(555.942)	(405.811)
Travel expenses	(652.364)	(141.065)
Public holiday pay provision	(95.451)	(81.801)
Vacation pay liability expenses	(73.894)	(1.341.519)
Other	(4.617.416)	(6.929.298)
	(63.045.160)	**(44.990.803)**

21. EXPENSES BY TYPE

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

	1 January – 31 December 2018	1 January – 31 December 2017
Cost of goods sold	(40.148.853)	(35.246.122)
General administrative expenses	(2.191.232)	(1.276.059)
Depreciation and amortization	**(42.340.085)**	**(36.522.181)**
Cost of goods sold	(169.141.380)	(149.232.732)
General administrative expenses	(37.427.086)	(20.920.409)
Research and development expenses	(619.282)	(2.671.603)
Marketing expenses	(1.064.606)	(1.006.991)
Personnel expenses	**(208.252.354)**	**(173.831.735)**

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 2018	1 January – 31 December 2017
Foreign exchange gain on other operating income	45.221.620	6.942.078
Reversal of impairment on receivables (Note 6)	4.221.694	2.877.361
Late payment incomes	4.187.757	--
Insurance damage income	1.664.454	941.632
Other	5.381.176	4.897.123
	60.676.701	**15.658.194**

Other operating expenses

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

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange losses on other operating expenses	(4.905.877)	(17.571.191)
Rework expenses (*)	(1.304.608)	(899.808)
Rediscount interest expense	(1.051.817)	(398.389)
Tax penalty expense	(318.558)	--
Provision for doubtful receivables	--	(2.352.306)
Other	(65.739)	(782.633)
	(7.646.599)	**(22.004.327)**

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

23. INCOME FROM INVESTING ACTIVITIES

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

	1 January – 31 December 2018	1 January – 31 December 2017
Gain on sale of property, plant and equipment	5.545.400	34.634
Interest income	--	2.366.930
	5.545.400	**2.401.564**

24. FINANCE INCOME

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

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange gain	17.875.899	8.070.387
Interest income	154.058	--
	18.029.957	**8.070.387**

25. FINANCE COSTS

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

	1 January – 31 December 2018	1 January – 31 December 2017
Interest expenses	(59.082.180)	(42.560.210)
Foreign exchange losses	(35.586.594)	(14.477.165)
Loan expenses	(7.940.548)	(1.860.609)
Employee termination interest expense	(4.739.358)	(3.470.692)
Finance leasing interest expenses	(1.196.219)	(1.521.427)
Factoring expenses	(42.425)	(2.873.317)
Other	(2.538.374)	(5.119.750)
	(111.125.698)	**(71.883.170)**

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 2018	31 December 2017
Prepaid taxes	--	(919.103)
Prepaid tax	**--**	**(919.103)**

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.

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

In Turkey corporate tax rate for the fiscal year 2018 is 22% (2017: 20%). Corporate tax rate for the subsidiary of the Group in United Kingdom is 20% (2017: 20%). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 30261 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.

The corporate tax rate applies to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the commercial income of the institutions, the exception to the tax law (participation earnings exception, exemption of investment allowance etc.) and the reduction of discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income and declare by the 14th of the second month following the quarter (31 December 2017: 20%). With the amendment of the law, this rate was determined as 22% for the years 2018, 2019 and 2020.

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 2018 and 31 December 2017 are as follows:

	1 January – 31 December 2018	**1 January – 31 December 2017**
Current tax income/ (expense)	--	671.484
Deferred tax income / (expense)	(8.656.716)	(9.736.171)
Total tax income / (expense)	**(8.656.716)**	**(9.064.687)**

Deferred tax:

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 2018: 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%).

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

Deferred tax *(continued)***:**

The composition of cumulative temporary differences and the related deferred tax assets and liabilities calculated using the enacted tax rates at 31 December 2018 and 31 December 2017, were as follows:

	Cumulative Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	250.158.612	174.514.228	(50.031.722)	(34.902.845)
Revaluation fund for land	116.112.421	95.134.036	(23.222.484)	(19.026.809)
Revaluation fund for land improvements and buildings	4.687.349	(11.076.956)	(937.470)	553.848
Provision for employment termination benefits and notification payments	(51.350.736)	(35.016.819)	10.270.147	7.003.363
Net difference between the tax base and carrying value of inventories	1.779.001	448.746	(355.800)	(89.749)
Timing differences in recognition of revenue	(1.385.330)	(6.262.915)	277.066	1.252.583
Legal provisions	(15.906.500)	(12.443.682)	3.181.300	2.488.736
Provision for doubtful receivables	(11.233.975)	(311.482)	2.246.795	62.296
Investment incentives (*)	26.957.912	26.957.912	26.957.912	26.957.912
Other	(21.972.212)	(20.733.708)	4.394.442	4.146.742
Deferred tax liabilities - net			**(27.219.814)**	**(11.553.923)**

(*) 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 in 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.

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

Deferred tax: *(continued)*

Movements of deferred tax liability are as follows:

	2018	2017
1 January	**(11.553.923)**	**(548.201)**
Current period deferred tax income / (expense)	(8.656.716)	(9.736.171)
Charged to equity	7.576.137	1.196.991
Foreign currency translation differences	(14.585.312)	(2.466.542)
31 December	**(27.219.814)**	**(11.553.923)**

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

	%	2018	%	2017
Income/(loss) before tax rate		**109.887.589**		**77.192.461**
Tax expense/(income) calculated at legal tax rate	22,00	24.175.270	20,00	15.438.492
Effect of share of equity-accounted investee	0,03	33.132	0,07	56.812
Effect of disallowable expenses	(1,04)	(1.146.846)	0,89	690.443
Effect of tax exemptions	1,45	1.596.526	(0,83)	(642.576)
Unrecognized deferred tax assets of the current year losses (*)	(11,64)	(12.785.871)	--	--
Effect of tax rate change	(0,79)	(865.672)	--	--
Tax incentives	--	--	(4,32)	(3.330.987)
Foreign currency translation differences	(2,14)	(2.349.823)	(4,08)	(3.147.497)
Tax provisions	**7,88**	**8.656.716**	**11,74**	**9.064.687**

(*) The Group has financial loss amounting to TL 58.117.596 which has been realized in the current period and the deferred tax has not been calculated.

27. EARNINGS/(LOSS) PER SHARE

For the periods 1 January - 31 December 2018 and 1 January - 31 December 2017, weighted average number of shares and earnings/ (loss) per share are as follows:

	2018	2017
Average number of shares outstanding during the period (full value)	6.684.480.000	6.684.480.000
Net profit of the Parent Company	101.230.873	68.127.774
Earnings per share with nominal value of 1 KR	**15,1442**	**10,1919**

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 at 12 October 2017 and then related shares were transferred to Çelik Holding A.Ş. as at 29 June 2018.

a) Due from related parties:

As of 31 December 2018, the Group has no receivables from related parties. As at 31 December 2017, trade receivables amounting to TL 83.579.102, which are not considered due to the restructuring of the group companies in the related countries, are accounted under other equity items under shareholders' equity.

b) Due to related parties:

As at 31 December 2018 and 31 December 2017 trade payables due to related parties was as follows:

	31 December 2018	31 December 2017
Bordo Elektrik Enerjisi A.Ş	5.476.035	--
Parsan Makine Parçaları Sanayi A.Ş.	1.236.514	--
Kumsan	201.405	238.329
Mogan Özel Havacılık A.Ş.	139.972	--
Güriş İş Makinaları Endüstri A.Ş	4.561	--
	7.058.487	**238.329**

c) Sales to related parties:

As of 31 December 2018, there are no 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**

d) Goods and services purchased:

For the year ended 31 December 2018 breakdown of the purchases from related parties was as follows:

	Ticari mal/hizmet	Yönetim hizmeti	Diğer	Toplam
Bordo Elektrik Enerjisi A.Ş	20.256.239	--	--	20.256.239
Parsan Makine Parçaları Sanayi A.Ş.	--	1.093.696	452.074	1.545.770
Kumsan	1.121.667	--	--	1.121.667
Mogan Özel Havacılık A.Ş.	--	--	461.298	461.298
Güriş İş Makinaları Endüstri A.Ş	--	--	25.783	25.783
	21.377.906	**1.093.696**	**939.156**	**23.410.757**

28. RELATED PARTY DISCLOSURES *(continued)*

d) Goods and services received *(continued):*

For the year ended 31 December 2017 breakdown of the purchases from related parties was 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**

e) Financing expense:

Financial expenses from related parties for the years ended 31 December 2018 and 2017 were as follows:

	1 Ocak- 31 December 2018	1 Ocak- 31 December 2017
Omtaş Otomotiv Sanayi ve Ticaret A.Ş.	230.644	--
	230.644	--

f) Remunerations to key management personnel:

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

	1 January- 31 December 2018	1 January- 31 December 2017
Short-term benefits	5.847.336	4.568.454
Long-term benefits	416.656	144.402
Total	**6.263.993**	**4.712.856**

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 Management evaluates the interest bearing assets in short-term investment instruments within the framework of the principle of managing with natural measures by balancing the maturities of interest-sensitive assets and liabilities.

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

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

a) Interest rate risk *(continued)*

	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Cash and cas equivalents	865.000	--
Financial liabilities	(674.630.050)	(156.490.157)
	(673.765.050)	**(156.490.157)**

	31 December 2018	31 December 2017
Financial instruments with variable interest rate		
Financial liabilities	(340.700.308)	(650.859.573)
	(340.700.308)	**(650.859.573)**

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 2018 and 2017 is as follows:

31 December 2018	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)	**--**	**315.722.534**	**--**	**15.921.117**	**27.696.816**
Guaranteed portion of the maximum risk	--	650.000	--	--	--
A. Net book value of the assets that are not due or that are not impaired	--	275.164.620	--	15.921.117	27.696.816
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	--	40.557.914	--	--	--
− Secured by collateral, etc.	--	--	--	--	--
D. Net book value of the assets impaired	--	--	--	--	--
Overdue (gross book value)	--	7.372.015	--	--	--
impaired (-)	--	(7.372.015)			
Not due (gross book value)	--	4.883.747	--	--	--
impaired (-)	--	(4.883.747)	--	--	--
E. Off balance sheet items with credit risk	--	--	--	--	--

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

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

b) Credit Risk *(continued)*

31 December 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.

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 2018	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	999.961.724	1.202.914.794	51.661.808	503.796.191	345.269.810	302.186.985
Finance lease liabilities	15.368.634	20.043.971	4.688.232	11.601.424	3.754.315	--
Trade payables	94.266.310	94.266.310	94.266.310	--	--	--
Other payables	9.926.512	9.926.512	9.440.939	--	485.573	--
Other liabilities	3.351.651	3.351.651	3.351.651	--	--	--
Total	**1.122.874.831**	**1.330.503.238**	**163.408.940**	**515.397.615**	**349.509.698**	**302.186.985**

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	807.349.730	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	**945.676.696**	**1.011.685.935**	**128.694.889**	**201.664.816**	**258.220.459**	**423.105.771**

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

d) Foreign Currency Risk

The Group, except the functional currency, 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 2018 and 2017. Carrying values of foreign currency denominated assets and liabilities held by the Group are as follows:

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

FOREIGN CURRENCY POSITION TABLE	31 December 2018					31 December 2017				
	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other	TL Equivalent (Functional currency-Euro)	USD	TL	GBP	Other
1. Trade Receivables	42.099.036	49.031	38.876.476	445.619	--	24.496.816	293.913	22.716.874	--	--
2a. Monetary Financial Assets (including Cash, Banks accounts)	2.399.491	--	978.745	213.556	--	2.145.889	81.450	1.840.632	--	--
2b. Non-monetary Financial Assets	--	--	--	--	--	--	--	--	--	--
3. Other	974.092	95.967	441.174	4.215	--	1.452.167	35.338	1.168.904	24.124	60.000
4. Current Assets (1+2+3)	**45.472.619**	**144.998**	**40.296.395**	**663.390**	**--**	**28.094.872**	**410.701**	**25.726.410**	**24.124**	**60.000**
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)	**45.472.619**	**144.998**	**40.296.395**	**663.390**	**--**	**28.094.872**	**410.701**	**25.726.410**	**24.124**	**60.000**
10. Trade Payables	62.278.713	950.935	55.443.352	269.971	62.500	73.093.791	1.492.023	66.176.240	198.560	128.000
11. Financial Liabilities	--	--	--	--	--	5.783.108	8.778	--	--	--
12a. Other Monetary Liabilities	(14.206.155)	--	--	(2.135.365)	--	(9.015.896)	--	--	(1.774.678)	--
12b. Other Non-monetary Liabilities	--	--	--	--	--	--	--	--	--	--
13. Short-term Liabilities (10+11+12)	**48.072.558**	**950.935**	**55.443.352**	**(1.865.394)**	**62.500**	**69.861.003**	**1.500.800**	**66.176.240**	**(1.576.118)**	**128.000**
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)	**48.072.558**	**950.935**	**55.443.352**	**(1.865.394)**	**62.500**	**69.861.003**	**1.500.800**	**66.176.240**	**(1.576.118)**	**128.000**
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)	**(2.599.939)**	**(805.937)**	**(15.146.957)**	**2.528.784**	**(62.500)**	**(41.766.131)**	**(1.090.099)**	**(40.449.830)**	**1.600.242**	**(68.000)**
21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Item (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16)	**(2.599.939)**	**(805.937)**	**(15.146.957)**	**2.528.784**	**(62.500)**	**(41.766.131)**	**(1.090.099)**	**(40.449.830)**	**1.600.242**	**(68.000)**

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

	31 December 2018			
	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 / in case of depreciation			
1. USD net asset/liability	(70.338)	70.338	(70.338)	70.338
2. Hedged from the USD risk (-)	--	--	--	--
3. USD Net Effect (1+2)	**(70.338)**	**70.338**	**(70.338)**	**70.338**
	10% change in TL against EUR / in case of depreciation			
4. TL net asset/liability	(251.277)	251.277	(251.277)	251.277
5. Hedged from the TL risk (-)	--	--	--	--
6. TL Net Effect (4+5)	**(251.277)**	**251.277**	**(251.277)**	**251.277**
	10% change in GBP against EUR / in case of depreciation			
7. GBP net asset/liability	279.089	(279.089)	279.089	(279.089)
8. Hedged from the GBP risk (-)	--	--	--	--
9. GBP Net Effect (7+8)	**279.089**	**(279.089)**	**279.089**	**(279.089)**
	% 10 change in other currency against EUR / in case of depreciation			
10- Other currency net asset/liability	(5.532)	5.532	(5.532)	5.532
11- Hedged from the other currency risk (-)	--	--	--	--
12- Other Net Effect (10+11)	**(5.532)**	**5.532**	**(5.532)**	**5.532**
TOTAL (3 + 6 +9+12)	**(321.614)**	**321.614**	**(321.614)**	**321.614**

(*) Does not include profit/loss effects.

28. 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 / in case of depreciation				
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 / in case of depreciation				
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 / in case of depreciation				
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 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.

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 Group'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 2018	**31 December 2017**
Financial liabilities	1.015.330.358	807.349.730
Less: Cash and cash equivalents (Note 4)	(27.741.417)	(17.464.098)
Net financial liabilities	987.588.941	789.885.632
Total equity	128.883.583	47.639.757
Financial liabilities/equity ratio	**766%**	**1.658%**

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 2018		**31 December 2017**	
	Net carrying value	**Fair value**	**Net carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents	27.741.417	27.741.417	17.464.098	17.464.098
Trade receivables	315.722.534	315.722.534	244.823.253	244.823.253
Other receivables	15.921.117	15.921.117	12.024.872	12.024.872
	359.385.068	**359.385.068**	**274.312.223**	**274.312.223**
Financial liabilities				
Borrowings	1.015.330.358	1.015.330.358	807.349.730	807.349.730
Trade payables	94.266.310	94.266.310	101.317.805	101.317.805
Other payables	9.926.512	9.926.512	6.624.947	6.624.947
	1.119.523.180	**1.119.523.180**	**915.292.482**	**915.292.482**

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. EXPLANATIONS RELATED TO CASH FLOW STATEMENT

For the year ended 31 December 2018, cash flows from operating activities of the Group amounted to TL 58.841.779 (2017: TL 55.682.307 used in operating activities), cash flows used in investment activities amounted to TL 17.552.181 (2017: TL 22.569.427) and cash flows used in financing activities amounted to TL 31.258.082 (2017: 93.298.510 TL from financing activities).

31. EXPLANATIONS RELATED TO STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2018, the Group's shareholders' equity amounting to TL 128.883.583 (31 December 2017: TL 47.639.757) consists of shareholders' equity of the parent entity.

32. EVENTS AFTER THE REPORTING PERIOD

None.